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SECOND CLASS

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Fiscal Fears 'Scrooge' Shoppers

By Don Longo
Exclusive DSN Report

Retailers are facing what may be their bleakest Christmas in years as jittery consumers put the brakes on their holiday buying plans.

Consumers' outlook for Christmas took an abrupt downturn during the four weeks from mid-September to mid-October, according to the latest national survey of U.S. households conducted by Chicago-based researchers Leo J. Shapiro & Associates.

Ironically, despite the ongoing Mideast crisis which put a damper on spending for everyday items (and depressed store sales in August and September), the monthly Shapiro study found that in September consumer buying intentions for Christmas 1990 were the highest in the six years the firm has been conducting the survey.

In mid-September, 34% of households said they planned to spend more this Christmas than a year ago. By contrast, in September 1989, only 28% of consumers planned to spend more on Christmas than they had in 1988.

In the four weeks following the September survey, consumer fears about their job security, and the probability of lower commissions and lost bonuses intensified greatly. Their decision to go ahead and enjoy a jolly Christmas appears to have been reversed.

A faltering economy, and job insecurity, has put a brake on consumers' holiday shopping plans.

By mid-October, only 28% of U.S. households planned to spend more on Christmas this year than a year ago, the lowest percentage for that month since 1988. By contrast, last year, 34% of households expected to spend more on Christmas than the previous year.

Further, the percentage of consumers who intend to spend less this Christmas increased from 36% in September to 44% in October, the

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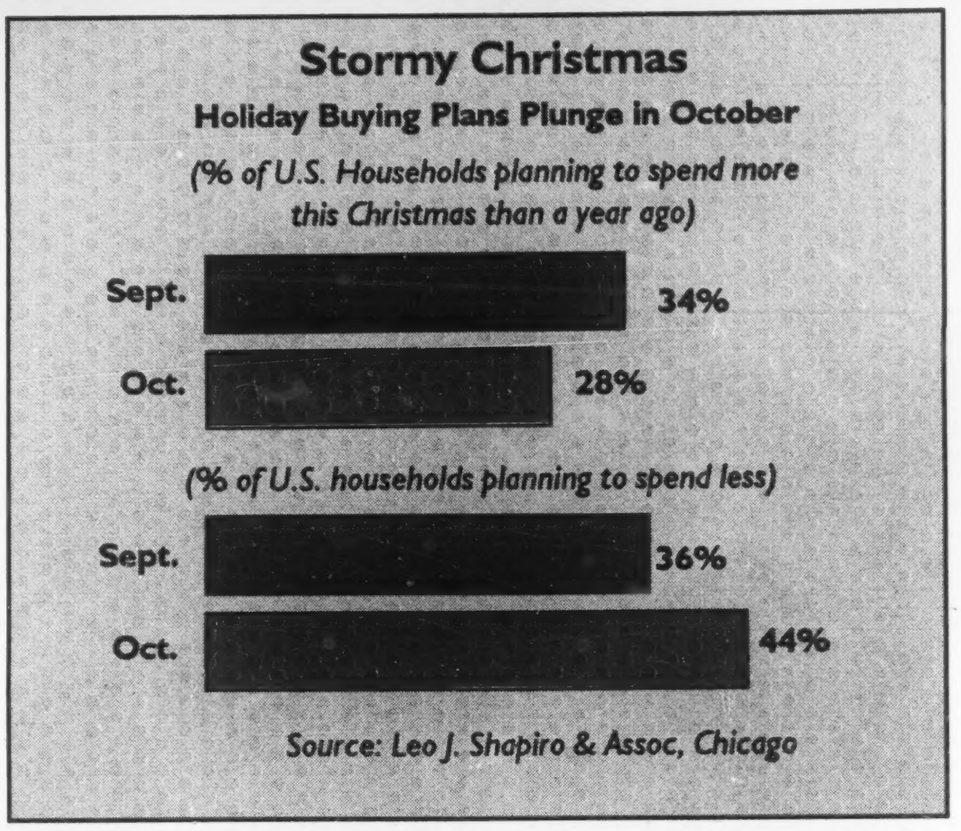


Popular Gifts Add Gleam to Dim Christmas

By Richard Halverson

Although the Christmas retail skies continue to darken, a number of gift stars are starting to twinkle.

Many retailers fear that weak consumer confidence in the economy will dampen Christmas '90 sales. Yet, here and there, Christmas gift hits are beginning to shine through the gloom, a sampling of discounters shows.

"There always is a Christmas," said a merchandising executive from a major toy chain who asked to remain nameless, "although it will be a late one this year."

Expecting a lot of price-cutting, "consum-

(Continued on page 46)

Mills Attracts Category Dominators

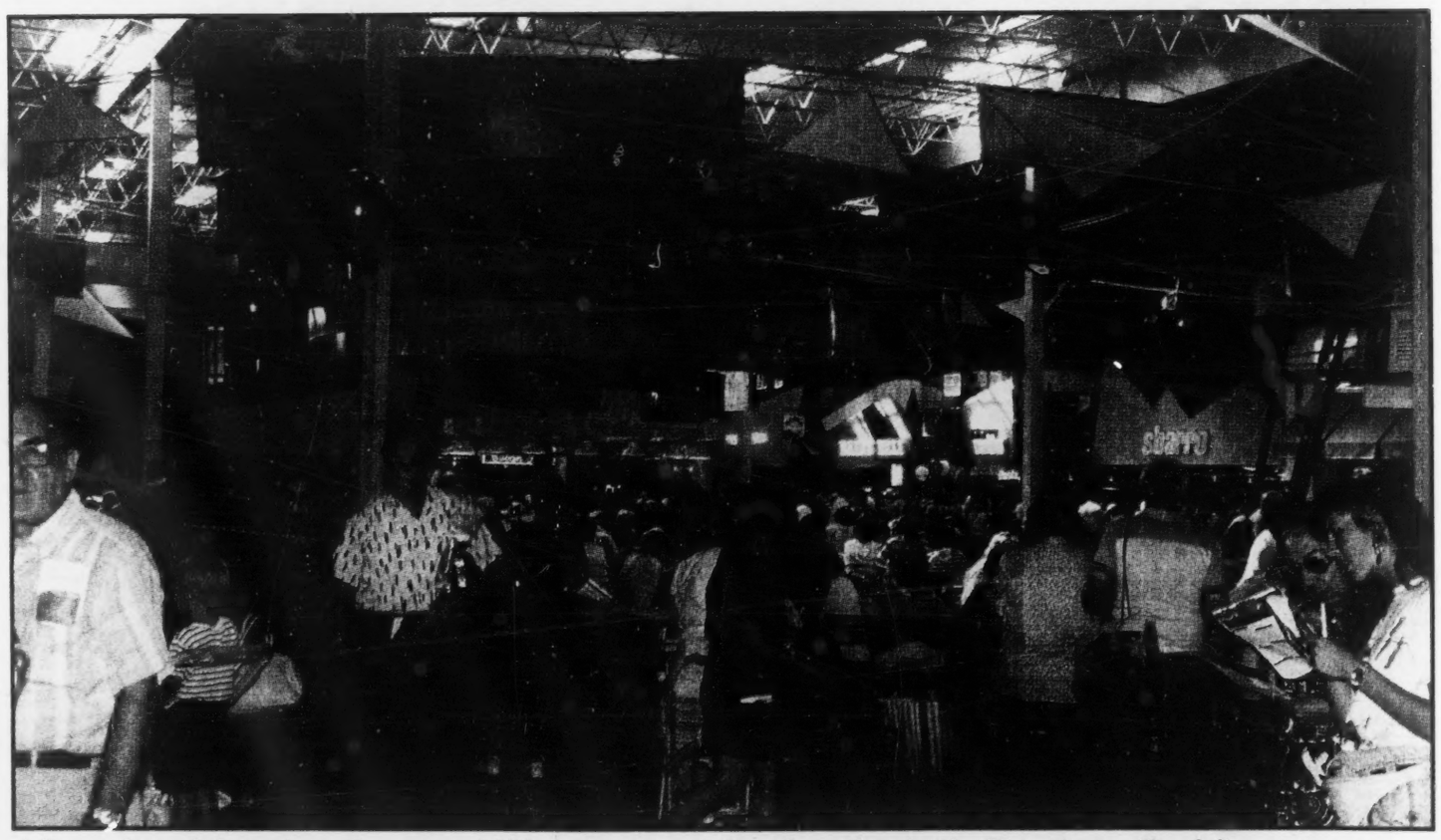
Sawgrass Melds Off-Pricers With Factory Outlets

By Don Longo

SUNRISE, Fla. — The opening of Sawgrass Mills, the world's largest outlet shopping center, here last month illustrates the transformation of the factory outlet mall concept into a super-regional specialty center of value-oriented retailers.

A joint venture of Western Development Corp., developers of Potomac Mills in Washington, D.C., and Franklin Mills outside Philadelphia, and KanAm, a West German investment group, the 2 million-square-foot Sawgrass Mills opened Oct. 4 with 120 stores.

Despite the popular misconception that factory outlet malls are primarily composed of manufacturer "outlets," only one of the five, 60,000-square-foot-plus anchor stores that opened last month is operated by a manufacturer.



After a day of shopping, *Sawgrass Mills customers take a breather in the Hurricane Food Court.* (DSN photo)

VF Factory Outlet (76,000 square feet) is owned by Reading, Pa.-based apparel-maker Vanity Fair Corp. The outlet sells Lee, Wrangler and Rustler jeanswear, Vanity Fair and Modern Globe intimate apparel, Jantzen, JanSport and Bassett-Walker sportswear and Red Kap and Big Ben work clothes, all at 50%-off list prices.

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Dr. Rx

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Zeller's Parent Gobbles Up Towers

By Mary Ellen Kelly

TORONTO — The Hudson's Bay Co. has signed a definitive agreement with The Oshawa Group Limited of Islington, Ontario, to purchase Towers Department Stores, pending regulatory approval. The acquisition is expected to be completed this month.

Toronto-based Hudson's Bay is parent of Canada's largest discount store chain, 218-unit Zeller's. The Oshawa Group—primarily involved in the grocery business—was reportedly approached about the sale of its general merchandise Towers division last month.

The acquisition catapults Zeller's—$2.15 billion (Canadian) sales volume in 1989—further ahead of discount store competitors like K mart Canada, which reported 1989 sales of $1,293 million.

The Towers chain also puts Zeller's ahead of Woolworth's Canadian store division in terms of sales volume; until now the two firms had been

(Continued on page 45)

MARKETWATCH

Union Square Shoppers Club Set to Open

NEW YORK — Union Square Shoppers Club, the first urban-centered membership club will open in New York Nov. 15. Housing a food court, supermarket and traditional merchandise areas, the club will occupy 240,000 square feet on seven floors in what was once a May's Department Store. Fees will include $25, $50 and $75 memberships. A members-only lounge and special discounts will be among the club perks for members. The prime competition for Union Square will come from BJ's and Price Club, both established in surrounding metropolitan area suburbs.

Wal-Mart Opens Two Closeout Stores

BENTONVILLE, Ark. — Delving into yet another retail experiment, Wal-Mart opened two closeout stores called Bud's Warehouse Outlets in September, according to a company spokeswoman. Two additional units will be opening this month. The first two 40,000-square-foot Bud's Warehouse Outlets were opened in Franklin, Tenn., and West Memphis, Ark. The store assortments are said to vary by location, "in the same way that there are differences among Sam's units," the spokeswoman said. She confirmed that the merchandise consists of manufacturer overruns and closeouts.

Office Club Speeds Credit Approvals

CONCORD, Calif. — Office Club will update its data processing system by installing a Stratus XA2000 model 200 single processor Continuous Processing computer system. The new system collects sales data online from ICL terminals in its 49 stores in nine states while also routing credit card transactions over an X.25 network to the appropriate credit authorizer for immediate approval. The polled sales data will be periodically uploaded to the office supply superstore's IBM AS/400 main computer.

Sears Ties In With Prodigy

CHICAGO — Sears launched its first direct tie-in with Prodigy, the electronic shopping and information service it jointly owns with IBM. The retailer mailed a 32-page catalog listing 32 Best Buys to Prodigy's subscribers, with goods available through Jan. 31, 1991. The catalog and a cover letter, which also listed 45 Nintendo titles on sale from $19.97 to $49.95, explained how computer users can access Sears on Prodigy and shop from more than 5,000 items online and use an electronic order blank to buy goods.

Yankee Bargain Stores Changes Name

NEW YORK — The corporate parent of Yankee Bargain Stores, a chain of 10 closeout units in northern New England, has changed its name to Specialty Retail Ventures from Yankee Stores. The company said the name reflects a new corporate strategy of diversifying into niche specialty retailing in its region.

Venture Is Now a Public Company

O'FALLON, Mo. — Venture Stores, operating 79 units, officially has joined the ranks of publicly traded discount chains. Effective Oct. 2, its previous parent, May Department Stores Company, spun off Venture to May stockholders as a special dividend. Trading on the New York Stock Exchange as VEN, Venture stock opened at $10.

Kmart Canada Sells Bargain Harold's

TROY, Mich. — K mart Canada sold its Bargain Harold's Discount chain to Quebec Equity Capital, an investment partnership sponsored by several large Canadian institutional investors. Terms of the deal, announced on Oct. 26, were not disclosed.

FOR THE RECORD

In a Sept. 3, 1990, article on Pamida's delay in going public, *DSN* incorrectly gave the chain's net tangible book value as $14.57 per share, compared with the proposed selling price of $14.50 a share. Actually the net tangible book value was a negative ($14.57) per share primarily because of the large amount of goodwill and deferred financing costs the chain carries on its books. By the time Pamida went public Sept. 18, on a reduced scale at $5 a share, it had improved net tangible book value to a negative ($14.03). In addition, the chain had improved its debt/equity ratio to 19.5 to 1 from about 25 to 1 by paying off some debt and increasing equity.

Chains Face Mixed Tidings

For Ames' Stores: More Losses, Less Leases

ROCKY HILL, Conn. — Ames Department Stores, still struggling to emerge from Chapter 11, suffered more setbacks this fall, as a general retail slump impacted its sales and profits. Also, only four of 99 leases from closed stores were purchased during an early October auction.

Losses for the second quarter mounted to $152.5 million on sales of $563 million, including a $73 million non-recurring charge to income related to prefiling costs and a further $9 million write-off for computers and computer equipment installed in closed units.

According to the company, active bidding for the leases was restrained by the near-market price the company was forced to ask, as well as a declining real estate market industrywide. However, the company said it has contracts or is close to agreements for some 44 of the 99 leases, and will re-auction the remaining leases at the end of October, after presstime.

The company also announced the closing of its West Hartford, Conn., and Syracuse, N.Y., corporate offices, effective next spring. The closings will affect some 250 active employees and all accounting and other functions of the two offices will be moved to the Rocky Hill headquarters, according to chairman Stephen Pistner.

"Both the staff reduction and office consolidation are essential elements of our plan to reduce expenses and operating losses, while matching Ames' corporate organization with the company's smaller size," Pistner said.

Caldor Celebrates Successful Store Openings, Healthy Outlook

MIDDLE VILLAGE, N.Y. — While its Connecticut discount store neighbor Ames continues to struggle, Caldor held a bash last month to celebrate the opening of three stores that will add $70 million to its sales coffers over the next year.

Those stores, modeled after the chain's new prototype unit which debuted earlier this year, include Caldor's first discount store within the five boroughs of New York and two other stores on Long Island in the communities of Woodmere and Garden City.

Two earlier prototype stores, opened in July, are exceeding sales projections by 20%, according to Don Clarke, chairman of the 122-unit Norwalk, Conn.-based regional discounter that was spun off from May Department Stores Co. in a management-led lev-

(Continued on page 46)

Marshalls Set to Showcase New Designers Back Room

FORT LAUDERDALE, Fla. — Marshalls will open its 367th store in the Sawgrass Mills Outlet, here, Nov. 15. The new unit, one of its superstore prototypes, will feature Marshalls' newest specialty department—the Designers Back Room.

Discounters Anchor New Outlet Mall, See Story, Page 1.

According to the company, the Designers Back Room is a store-within-a-store, in a totally separate room, that will feature a greater selection of bridge label merchandise. Though the retailer would not comment on specific labels, its various units already carry department store designer labels such as Chaus, Liz Claiborne and Perry Ellis, among others. The size of the area will vary according to the individual store. The Marshalls at the Sawgrass Mills Outlet has 1,000 square feet of space devoted to the room.

This will be the second back room at the off-pricer. The first is already in place at its Newton, Mass., store.

The Florida superstore will feature just over 54,000 square feet of selling space, double the average space for its regular stores. Marshalls introduced the superstore concept last year with increased space for domestics and accessories departments. An average Marshalls store features about 25,000 square feet of space.

(Continued on page 45)

Ross Adds 3 In Fla.; 16 More in U.S.

NEWARK, Calif. — Ross Stores opened three new stores this week, all in the expanding South Florida market. This is the first of 16 planned openings across the country for the month.

Ross will now operate a total of 25 stores in Florida, an area targeted by the retailer last year as an expanding and viable market.

In Florida, the 185-unit retailer opened stores in Hialeah, Pembroke Pines and Westchester, Fla.

Norman Ferber, pres-

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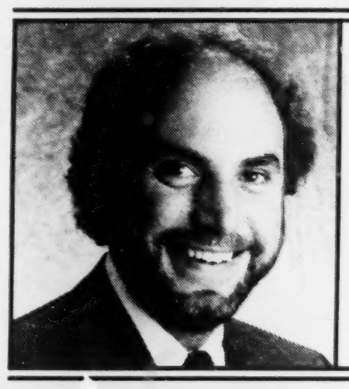
EDITORIAL

Can Chains Make the Leap Overseas?

The lure of international expansion has intrigued U.S. retailers this year as worldwide developments have popularized boundless opportunities abroad.

Whether it's Eastern Europe, Japan or the Pacific Rim, U.S. retailers are seriously investigating the idea of expanding overseas. With many overstored markets and fierce competition, the rationale among retailers is to look elsewhere for growth through the 1990s. The mindset is simple: get in on the ground floor and carve out a niche in some enchanted city before someone else does. Easier said then done!

Consider the case of Toys "R" Us. The Paramus, N.J.-based toy superstore chain hopes to become the first U.S. retailer to operate in Japan. Five stores are planned by the end of 1991. However, TRU is currently caught in a web of longstanding Japanese policies. First, the big store law, designed to protect "mom and pop" retailers by requiring local approval for new stores, has created a bureaucratic roadblock for TRU in its attempts to secure construction permits. Second, the complex multitiered distribution system threatens TRU's ability to stock its shelves quickly, efficiently and economically.



TONY LISANTI
Editor

Regardless, the TRU concept is ideal for export and the proof is the growth of its international division. TRU had 74 stores operating in Canada, France, United Kingdom, Germany, Hong Kong, Malaysia, Singapore and Taiwan at the end of 1989 with 25 planned for 1990. The key characteristics include a focused product line, efficient operating systems, layout and design, and universal mass product appeal. Overall, it's a "cookie cutter" approach that would be easy to execute as opposed to a full-line discount department store.

While many of the nation's top restaurant chains have enjoyed success abroad for more than a decade, few U.S. retailers have expanded overseas. Only K mart, Sears, Woolworth and Toys "R" Us have operated successfully in other countries. While it's true that many nations crave products from the U.S. culture, there are many barriers—not to mention layers of bureaucracy—that must be hurdled before a store can open. There are also many cultural differences and changing demographics that must be understood.

McDonald's, Burger King, Kentucky Fried Chicken and others have successfully brought their products to foreign countries, but marketing hamburgers and chicken is much easier than marketing a full line of general merchandise. A fast food chain also requires a fraction of the square footage that a general merchandise or even a specialty store requires. Furthermore, remember that many fast food chains have expanded through franchising, and franchising hardly exists anymore in discount retailing.

When McDonald's opened in Moscow earlier this year, people waited for hours to purchase a hamburger. If Toys "R" Us or Wal-Mart, for example, opened in Moscow, would they garner the same reception? Some food for thought.

There's no doubt that a revolution in retailing is occurring not only in Japan but worldwide. These changes will not happen overnight, but now is the time to identify specific opportunities and investigate them thoroughly.

More than likely, Toys "R" Us will become the landmark case that will open the door for other U.S. retailers to enter Japan in the 1990s.

But despite all the media hype about international opportunities, the best advice is the simplest: proceed with caution.

BUYERS & SELLERS

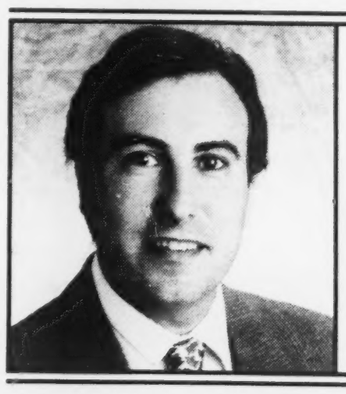
Razzle-Dazzle Works Wonders for Discounters

All of retailing's a stage.

I've always felt that the best retailers have more than a bit of showmanship in them. The worst offense a retailer can commit (yes, worse than out-of-stocks, higher prices than the competitor, long checkout lines) is to become stale and unexciting. After all, no one will ever experience those other imperfections if they don't step into the store in the first place. Recently, I attended two special events for vendors that illustrate that show business is alive and well in retailing.

About a month ago, Target Stores dazzled a gathering of hundreds of its suppliers with a special presentation coinciding with the opening of its Greatland superstore in a Minneapolis suburb. The flash and sizzle of the meeting was provided by John Pellegrene, Target's flamboyant senior vice president, marketing.

Pellegrene's entrance onto the stage at the Bloomington Radisson Hotel's grand ballroom was preceded by a marching band. Pellegrene then introduced Franco, a singer who appears in Target ads directed to the Hispanic community. After Franco finished a song, Pellegrine talked about Target's upcoming marketing events. Each illustrates Target's keen attention to combining entertainment with retailing.



DON LONGO
Exec Editor

- For Greatland's offical opening, consumers were treated to daytime fireworks, a skydiving team that made the Target bulls-eye in the air, and the construction of the tallest LEGO in Greatland's parking lot by the Target-sponsored environmental group, Kids For Saving Earth. Minneapolis consumers were made aware of the opening of Greatland through a clever series of commercials, one showing a high diver looking to impress a pretty woman but then losing his nerve after staring down at a small, round pool containing the Target logo. "Sometimes You Need a Bigger Target," was the tag line.
- For greater local presence, Target struck a deal to have the new $90 million sports facility in downtown Minneapolis named the Target Center. The facility will be the home of the NBA Timberwolves basketball team, as well as site for HBO concerts, Disney on Ice, the Moscow Circus, and the 1991 U.S. National Figure Skating Championship.
- For Christmas, Target will follow up last year's successful Velveteen Rabbit plush doll and assorted merchandise promotion with a new marketing campaign focused on the Gingham Dog and the Calico Cat children's story. And, again, country singers Amy Grant and Chet Atkins will perform in Target holiday commercials.

Pellegrene's presentation was highlighted by a special appearance from NBA Laker superstar Magic Johnson, and a duet by Grant and Atkins.

Three weeks later, Caldor gave vendors a glimpse of its potential to become the Target of the Northeast during a special presentation at its new Middle Village, N.Y., store on the eve of the opening of three new Long Island Caldors.

With an R&B group singing oldies and a film presentation chronicling Caldor's long history, the evening gathering served as a celebration of the beginning of a new focus and direction for the 39-year-old discounter.

Planned grand opening activities at the stores included sweepstakes, guest appearances by a radio personality, a cappella singing groups, New York sports stars and television soap opera performers.

President Marc Balmuth emphasized that the new Caldor seeks to enhance communications at all levels with its suppliers "to exploit our mutual opportunities. There's a new culture at Caldor. We're committed to making Caldor the best business partner you can find."

Chairman Don Clarke told vendors to "work with us for testing and developing new products and we'll help you get them into the stores."

The two executives, who have replaced 80% of the key people in the company since coming to the Norwalk, Conn., chain from Venture three and a half years ago, appear to have successfully changed the culture at Caldor and have made it more of a merchandise-driven retailer. The glitzy vendor night also showed they understand the importance of creating an entertaining and upbeat environment.

And, that upbeat environment is also part of the new culture at Caldor, one that emphasizes employee relations and customer service. A little theater, a looser atmosphere, and a higher energy level—ingredients that will position Caldor as one of the stronger regional discounters in the nation.

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To Redo or Not to Redo?

A nationwide survey suggests that consumers are not letting fears of recession interfere with their redecoration plans

By Pete Hisey

Despite an economy tumbling quickly into a recession, the coming year should be a successful one for home fashions retailers and suppliers. That, in a nutshell, is what consumers told *HMT* in an exclusive survey conducted by Fairfield Research of Lincoln, Neb.

The bed and bath industries should be the main beneficiaries of consumers' willingness to spend on home furnishings.

Asked which room they would be "likely" to redecorate in the coming year, roughly one-third of consumers queried said that the bathroom was scheduled for some form of decoration. About 36% said the same about the bedroom, the most popular site. Just under 30% plan to redecorate the kitchen/dining room combination, and 27% plan to redecorate the living room.

Geographically speaking, Southerners were the most likely overall to undertake some form of redecoration, particularly in the bed and bath. However, New Englanders were the most likely to redecorate the bedroom (about 41% planned to) and Midwesterners were the most likely to consider redoing both the kitchen and the living room.

The breakout by age is even more telling. More than four out of five consumers under 24 plan to redecorate the bedroom, and more than half of them have plans to redecorate both the living room and the bath. Older consumers were progressively (and predictably) less likely to plan redecoration. Consumers over 65, for instance, were distinctly unlikely to consider it; only a little over 10% had such plans in three of four categories.

Wealth plays a large role in redecoration intentions. While poorer respondents were relatively likely to redecorate the kitchen and the bath, only 15% planned to redecorate the kitchen. Wealthier consumers were the most likely to plan redecoration overall, particularly in the bath and bedroom. They were, however, the least likely to consider redoing the living room.

Overall, minorities were more likely than whites to plan redecoration, most tellingly in the living room and with the distinct exception of the kitchen/dining room, where only 21% planned additions.

Consumers who planned to redecorate the bath were asked several follow-up questions. About one-third of such respondents indicated that the existing color scheme in their bathrooms would be central to their redecoration plans, and about one in eight said that they planned to "change everything." Existing furniture (12%), accessories (9%) and wallpaper (9%) were also deemed important factors.

Not surprisingly, consumers planning to redecorate the bath were most likely to purchase new towels (81%) and bath rugs (73%). However, large numbers also planned to purchase new shower curtains (56%) and, significantly, window treatments (45%). Regionally, Northeastern consumers were most likely to choose all four product categories, with the highest margin over other regions in shower curtains (75%) and window treatments (60%). Residents of the Far West were the next most likely to choose each of the four categories.

Intentions were fairly even across age groups: younger consumers were more likely to need towels than were older consumers, and also slightly less likely to consider shower curtains. Otherwise, all ages were about equally likely to consider all products. The same held true for income levels, with only two statistical blips: wealthy (over $75,000 household income) consumers were much more likely (92%) to purchase new shower curtains than other income groups, but the poorest (under $20,000) were almost as likely (69%).

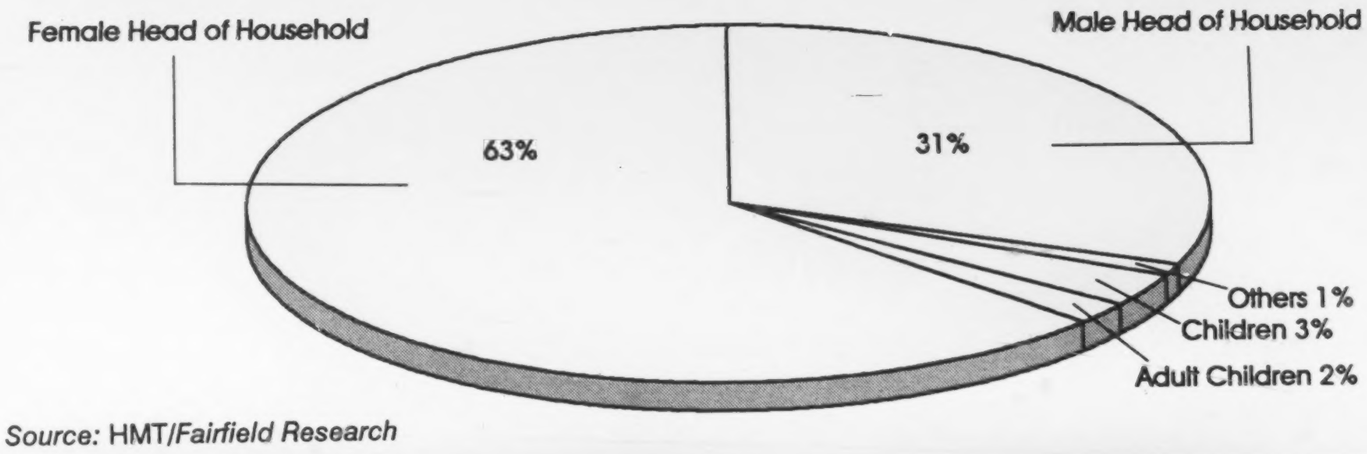
Preferred colors for bath towels did not vary much demographically. In order, blue, peach, rose/mauve and green were the most preferred. Roughly the same color preferences showed up in the other three categories, but a rather high percentage (roughly one-quarter of respondents) didn't know what color they would purchase in any of the three.

Roughly four of 10 consumers planned to buy embellished products for the bath, with only rugs (23%) scoring below 40%. Strangely, there was a distinct split in buying behavior by income. Wealthy respondents were predictably readier to invest in embellished shower curtains and window treatments (roughly two-thirds of wealthiest consumers preferred embellishments), but the very poorest of respondents were far more likely (50%) than any other income group to prefer embellished towels, while only 20% of the wealthiest did the same.

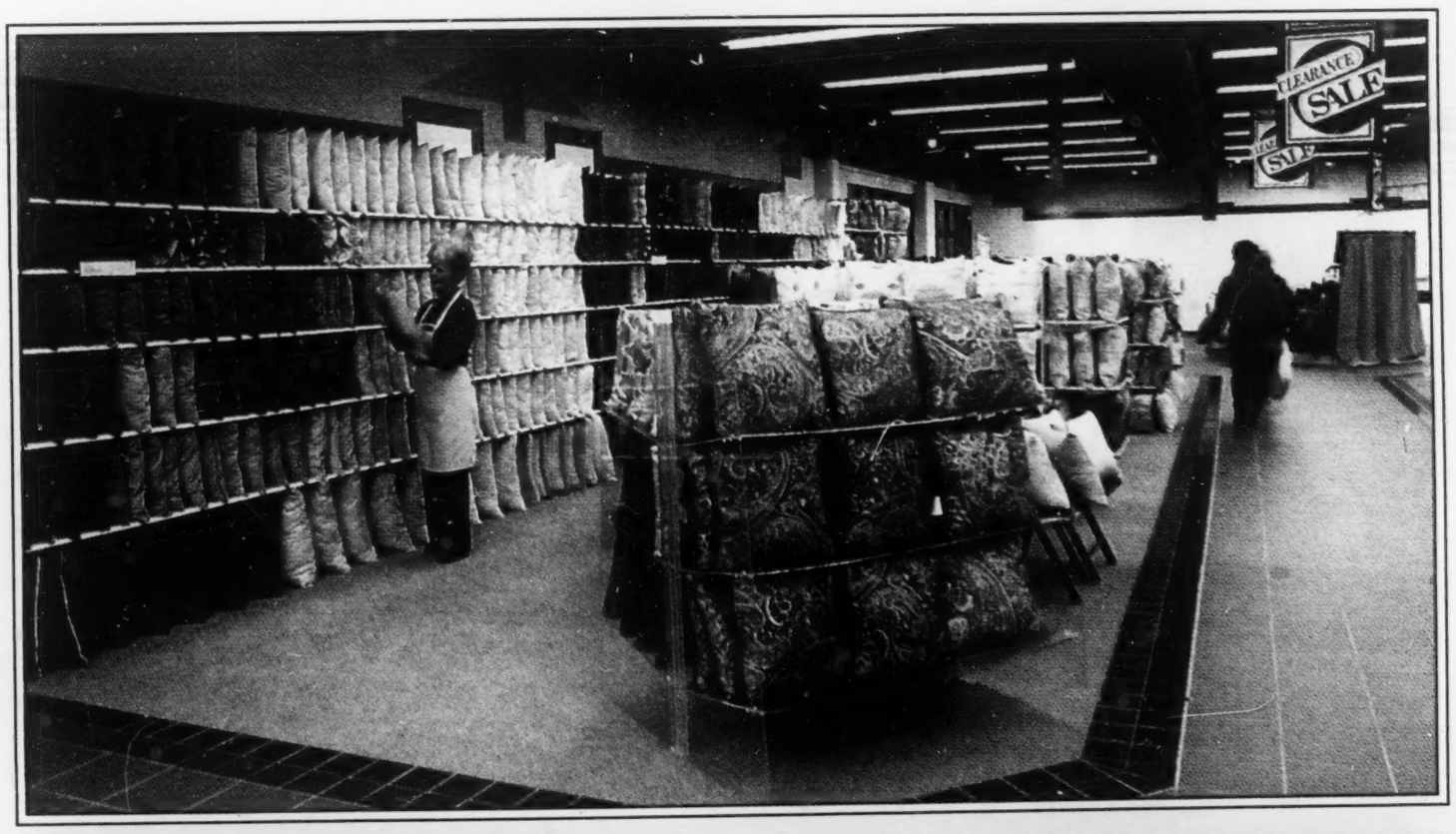
On average, consumers expected to spend $50 or less on all four product groupings, with only towels showing a meaningful blip above the $50 price point, probably more attributable to quantity contemplated than price per towel. Predictably, wealthier con-

Purchase Decision Model

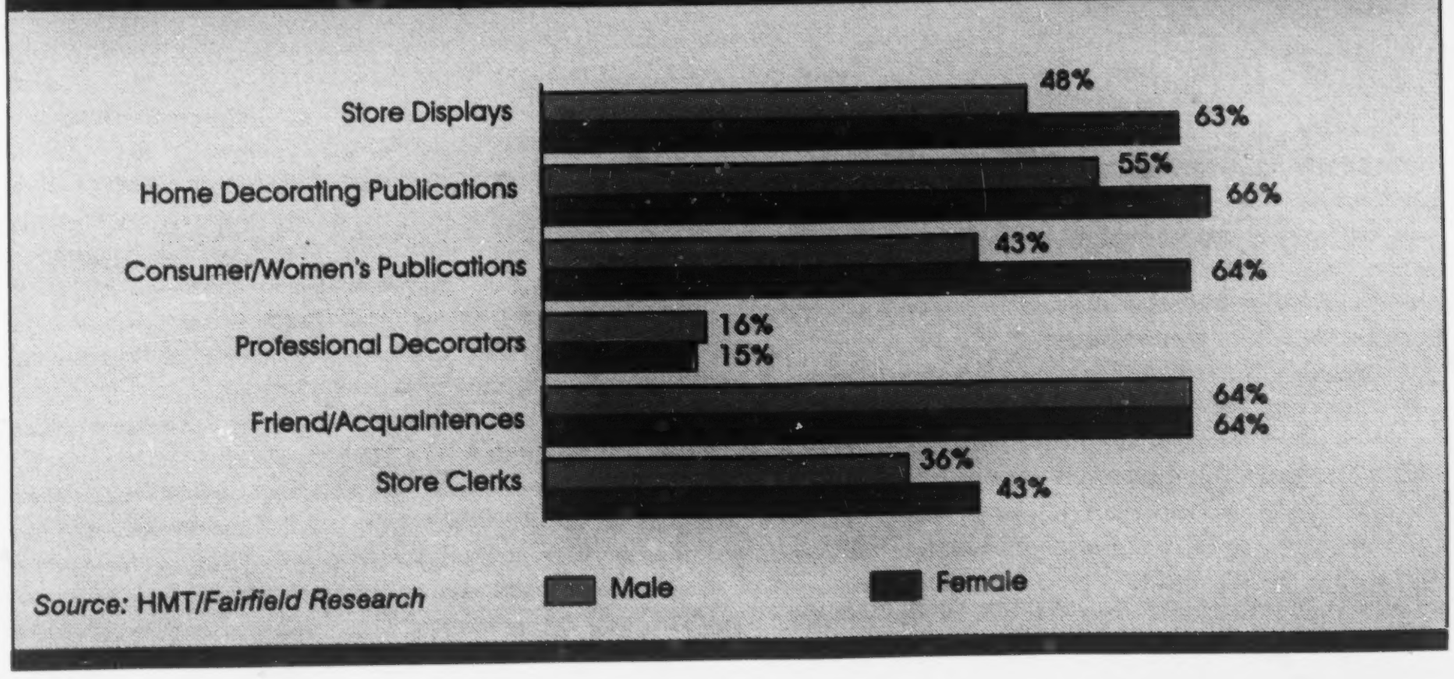
(Total Sample)



Source: HMT/*Fairfield Research*



Source of Redecoration Ideas



Source: HMT/*Fairfield Research*

sumers were more likely to spend more.

Consumers contemplating bedroom redecoration were asked the same set of questions. Overwhelmingly, they chose existing furniture and color scheme as the starting points.

Consumers planning bedroom redecoration were most likely to purchase comforters or bedspreads (71%), but sheets and window treatments (60% each) were also popular. Accessories (43%) trailed the pack, because those products (shams, decorative pillows) are much more often impulse purchases than are staples like sheets and comforters.

Southerners were the most likely on the whole to contemplate bedroom changes, particularly in the areas of bedspreads, window treatments and accessories. Those in the West were marginally less likely than average to purchase each of the four products. Statistically, there were very few meaningful variations in intention by age sex, income or race.

Color direction for the bedroom was patently unclear. In each of the four product categories, between one-third and one-half of consumers did not know what color they would choose. Only blue and peach received over 10% of mentions in any of the categories.

Embellishment seems to have found favor in the bedroom. Over one-half of respondents planning to buy sheets favored embellished products, and nearly as many in the market for comforters and accessories also favored embellishment. Again, wealth seemed to have a positive correlation with embellishment preference—with being the sole exception.

Unlike the bath, bedroom purchasers seemed to be very confused about price. Up to nearly half admitted they didn't know what they would spend. About half of those who did know prices expected to pay less than $50 for sheets, but expectations for other products varied considerably. For instance, about one-quarter of prospective buyers expected to pay $76 to $100 for a comforter, and about 12% expected to pay over $100. Window treatment buyers were even more generous, with over 20% planning to spend over $175. Accessories shoppers were the most divided, with nearly as many expecting to pay over $75 as under.

Those planning to redecorate the kitchen were most likely to purchase window treatments (55%), followed by towels (42%) and area rugs (40%). The coordination message is just reaching the kitchen, evidently. Only 16% of consumers planned to buy accessories.

Willing to Pay More for Embellishment by Region

How much more would consumers pay for an embellished product?

	% Total	% Northeast	% South	% Midwest	% West
25% More	53	50	65	38	64
15% More	68	83	71	50	64
10% More	85	94	94	75	73
5% More	89	94	100	81	73

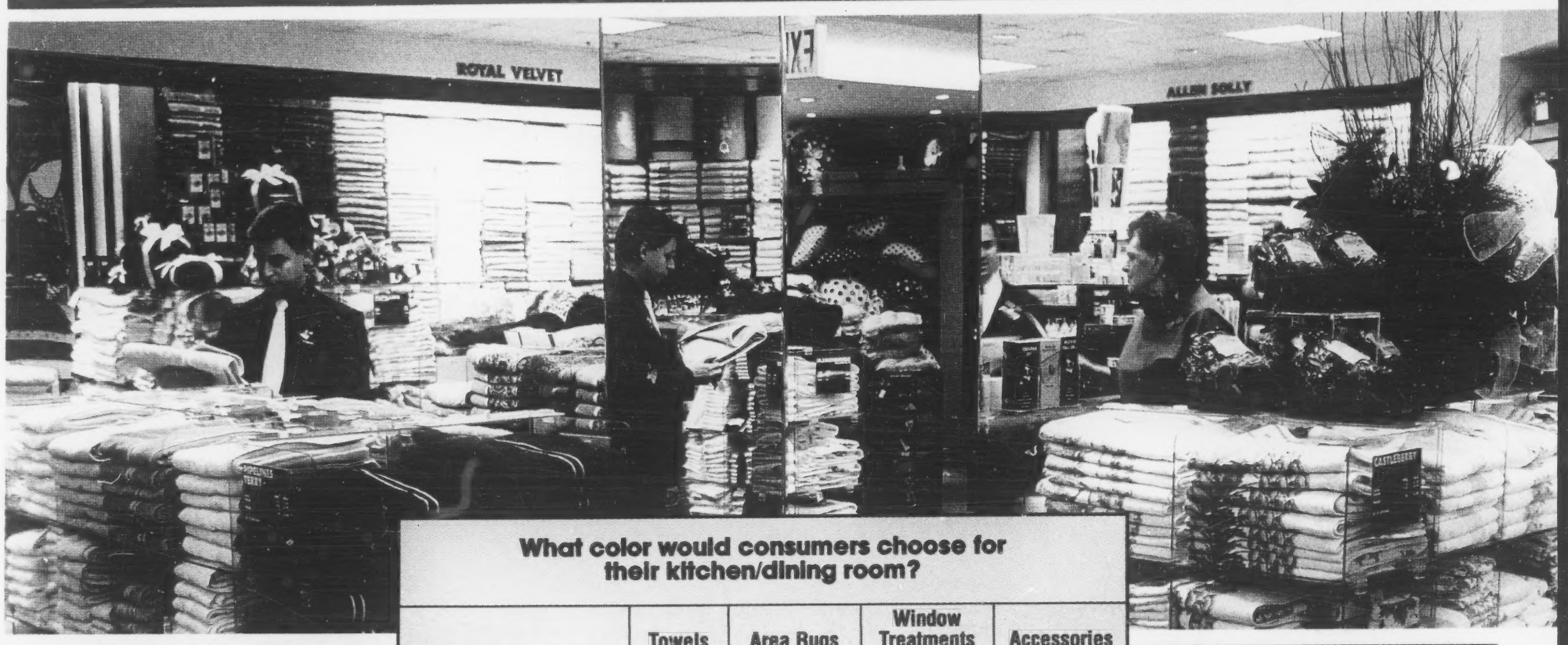
Source: HMT/*Fairfield Research*

Redecoration Intent (Next Year) by Region

What percentage of consumers are likely to redecorate either completely or partially any of the following rooms in a home or apartment that they own or rent?

	% Total	% Northeast	% South	% Midwest	% West
Bathroom	32	27	36	33	30
Bedroom	36	41	40	33	29
Kitchen/Dining room	29	27	31	34	21
Living/Family room	27	24	27	31	26

Source: HMT/*Fairfield Research*



What color would consumers choose for their kitchen/dining room?

	Towels	Area Rugs	Window Treatments	Accessories
Beige/Tan	6%	6%	6%	14%
Blue	36	26	34	21
Earth Tones	6	3	2	7
Green	14	3	9	7
Peach/Salmon	6	6	4	—
Rose/Mauve	3	9	—	7
White	6	—	13	29
Off-White/Cream	3	—	6	—

Source: HMT/*Fairfield Research*

What color would consumers choose for their bathrooms

	Towels	Rugs	Shower Curtains	Window Treatments
Beige/Tan	1%	6%	2%	9%
Blue	19	13	17	12
Brown	4	3	2	—
Earth Tones	3	4	—	—
Green	12	9	8	7
Peach/Salmon	17	16	11	7
Pink	3	3	—	2
Rose/Mauve	14	17	9	9
White	3	1	4	7
Off-White/Cream	—	1	2	7

Source: HMT/*Fairfield Research*

What color would consumers choose for their bedrooms?

	Sheets/ Pillowcases	Bedspread/ Comforter	Window Treatments	Accessories
Beige/Tan	6%	7%	6%	4%
Blue	13	17	14	15
Brown	2	1	3	4
Earth Tones	2	5	3	2
Green	6	5	5	4
Peach/Salmon	11	9	5	9
Pink	6	3	—	4
Rose/Mauve	8	9	9	4
White	3	4	5	—
Off-White/Cream	3	1	6	—

Source: HMT/*Fairfield Research*

With the exception of lower-income households, which didn't plan to do much in the kitchen, demand was fairly even across demographic lines.

Blue was an overwhelming favorite for kitchen textiles, with up to 36% of consumers preferring the color in each product area. About one-third of the respondents said that they would prefer embellished products, particularly towels (42%). With the exception of accessories, the largest portion of consumers expected to spend under $50 for all products (and under $25 for towels).

Predictably, most people will decorate around their living room furniture. Those planning redecoration here were likely to purchase window treatments and accessories (both 48%) and relatively unlikely to consider area rugs (30%). Younger consumers, as a whole, were more likely to consider this room.

Color preferences, where known, ran heavily to beige, tan and cream shades, with blue a significant player as well. Rose/mauve also had supporters, particularly in the accessories area. Living room shoppers were marginally less likely to choose embellished products than in the other rooms studied here.

And, finally, consumers were clearly prepared to spend more per item in the living room than anywhere else in the house, with the exception of accessories.

Overall, consumers were willing to pay more for embellished products. When asked how much more, nearly all said they would pay an extra 5%. At 10% extra, only a handful resisted, but at 15%, willingness started to decline markedly. Asked if they would pay 25% more, only about a half of the original group was still willing to pay. ■

Consumers: Cannon Still Tops

However, Stevens, Martex, Beacon, Springmaid and St. Mary's gain ground in national survey

Cannon continues to dominate the brand perception of both discount store managers and shoppers.

Ever since the company, in a stroke of genius, started dropping inexpensive towels into boxes of laundry detergent back when many of us were still watching Howdy Doody on TV, Cannon has been the unrivaled brand name among consumers, as well as a staple for generations of discount store managers.

So it's no surprise that again, for the fifth year in a row, Cannon was an easy winner of polls of both discount store managers and consumers. Asked which brand(s) performed best in their domestics departments, nearly 60% of managers named Cannon, with a nearly identical percentage of consumers naming the brand as their most-desired label in domestics.

No other brand received as much as 10% of mentions in either poll, truly a convincing margin of victory.

Those victories aside, there were some surprises in this year's consumer poll, conducted by Leo J. Shapiro & Associates for *HomeMarket Trends*. Cannon's sister company, St. Mary's, Martex, Springmaid, J.P. Stevens and, particularly, Beacon, improved sharply in consumer perception, and Dan River held steady. Fieldcrest, Cannon's upstairs division, lost ground, and the WestPoint Pepperell group of labels dropped from second place a year ago to ninth this year.

However, the enormous clout of the Cannon name may explain some of these shifts from last year. With nearly two-thirds of consumers naming Cannon, mentions of other brands tend to be a bit thin. The second place brand, St. Mary's, garnered only 6% of consumer mentions, and that marked an increase over last year's second place finisher, WestPoint Pepperell, which gained only 4% of mentions.

Beacon was the only brand new to the Top 10 this year, displacing Stevens' Taste Maker brand. Its sixth-place showing, considering that the brand never made the list before, is therefore doubly impressive. Since its turnaround two years ago, the blanket manufacturer has aggressively marketed its name, particularly in-store. Evidently, the message is getting through to consumers.

That was particularly true among Target shoppers, where roughly one in 20 mentioned Beacon. Ames shoppers, on the other hand, did not mention the brand at all, balancing the equation.

Cannon performed well across the board, with Target shoppers (at about 65%) marginally more likely to mention the brand, and Ames shoppers (at 54%) marginally less likely to do so.

No. 2 St. Mary's, on the other hand, owed its standing to Ames shoppers, one in 10 of whom named the brand, and to a lesser extent, to K mart shoppers (7%).

No. 3 Burlington did well at Wal-Mart, in particular, while No. 4 Martex performed very well with Target shoppers.

Target's claim that it attracts department store shoppers was given some weight by Fieldcrest's performance at that chain. Nearly one in 10 Target shoppers named the department store brand, which implies that they had been shopping department stores in the recent past.

Otherwise, most brands seem to have performed evenly across the field.

Domestics shoppers are not, however, particularly loyal to their brands; they'd rather switch than fight. Asked what they'd do if their discount outlet was out of their preferred brand(s), nearly two-thirds of discount store domestics shoppers said they'd buy another brand. By comparison, nearly two-thirds of discount store toy shoppers said they'd look elsewhere for their preferred brand name.

On the other hand, domestics shoppers don't envision being forced into unfamiliar brand territory too often. Asked how confident they were that their favorite store would stock their preferred brand, only one in seven (16%) felt they had much to worry about. The others were either "sure" (35%) or "certain" (46%) that they'd find their brand with little trouble.

Preference for private label goods, despite the introduction of K mart's Martha Stewart program and Target's Country Estates label, plummeted among domestics shoppers this year. Only 17% said that they preferred private label goods, down from 26% a year ago. However, both figures surpassed 1988's 15%.

Further, shoppers may have envisioned Martha Stewart and Country Estates as brand names. However, none identified them as such.

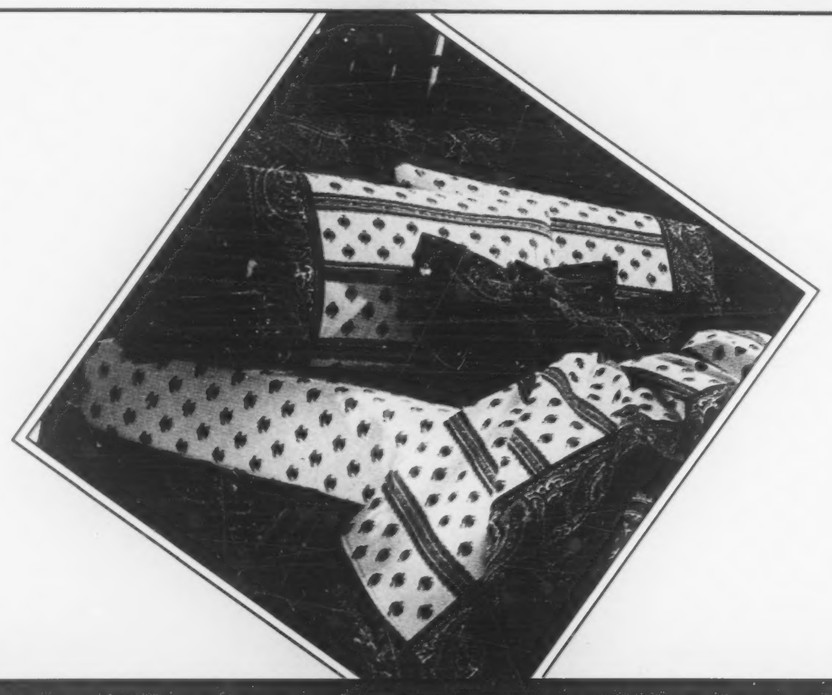
After the Top 10, brand mentions thinned out considerably. Apart from the (relatively) predictable Top 10 brands that were mentioned by consumers, only Kenney, Regal and Dundee gained any mentions at all.

Consumers were asked what discount store they shopped most. Despite Wal-Mart's financial blitzkrieg of recent years, shoppers clearly preferred K mart, by a 34% to 22% margin. Target finished third, at 10%. This may reflect the national scope of both K mart market locations and this survey. The other chains considered here are, to greater or lesser degrees, still regional chains. ■

Consumer Brand Preferences In Domestics

Top Brands	Discount Shoppers	K mart	Wal-Mart	Target	Ames
Cannon	57%	60%	61%	65%	54%
St. Mary's	6	7	4	5	10
Burlington	6	5	8	3	4
Martex	4	5	5	0	8
Springmaid	4	4	7	6	2
Beacon	3	3	3	5	0
Fieldcrest	3	3	4	9	2
Dan River	2	3	0	0	3
Pepperell/Lady Pepperell	2	1	5	0	3
J.P. Stevens	2	1	0	0	5

Source: HMT/Leo J. Shapiro & Assoc.



Top Domestics Brands: Store Managers vs. Shoppers

Managers	Consumers
Cannon	Cannon
Pepperell/Lady Pepperell/Westpoint	St. Mary's
J.P. Stevens	Burlington
St. Mary's	Martex
Fieldcrest	Springmaid
Spring/Spring Mills	Beacon
Martha Stewart	Fieldcrest
Dan River	Dan River
Burlington	Pepperell/Lady Pepperell/Westpoint
Santa Cruz	J.P. Stevens

Source: HMT/Leo J. Shapiro & Assoc.

Fiscal Fears Scrooge Christmas Shoppers

(Continued from page 1)
highest degree of spending pessimism in six years.

The results of the survey appear to indicate that domestic problems with the economy, such as inflation and the budget deficit, are more troubling to consumers than foreign problems like the possibility of war in the Mideast.

When asked to name the major problems facing the country:

- 45% of consumers cited the chance that some member of their household would be laid off from work in the coming months, up from 38% in September;
- 24% mentioned wasted government spending, up from 17% in September;
- 17% cited rising inflation, up from 14% in September.

"Now, people feel this uncertainty about their jobs has turned into a real probability that they will have less money," said George Rosenbaum, vice president of the research firm which polled 450 households nationwide in each of the last three months.

The possibility of a shooting war before Christmas still looms, but worries over foreign problems declined in October: 31% cited foreign troubles as a major problem vs. 32% in September.

"The one redeeming finding of the survey is that there has been no increase in the number of people who say they have actually lost a job in the past year," said Rosenbaum. In October, 22% of those surveyed said a member of their household was laid off in the past year, the same percentage as in September.

"We're talking about fear of unemployment. As people stay out of retail stores, they will accumulate cash. If they are somehow relieved of their fears, such as a withdrawal of troops from the Mideast or some sign that the government budget problems are being addressed, there could be a big buildup for spending," said Rosenbaum.

And, that scenario just adds to retailers' traditional problem of figuring out how to keep their shelves stocked for the (hoped for) Christmas rush without taking excessive markdowns in January.

"There's a thin line between being aggressive and stupid," noted Ben Kae, national sales manager, chain and discount division of B.J. Design Concepts, a division of Oxford Industries that markets women's imprinted sportswear.

With consumers experiencing a real crisis in confidence, "retailers need to work more closely with their vendor structure to turn merchandise more quickly," noted Kae.

DSN economist Richard Mount of Mount Economic Forecasting agreed that the major problem retailers face is consumer psychology, not consumer spending.

Mount noted that most of the shortfall in oil caused by Iraq's invasion of Kuwait has been made up already. "The pressure will be on the oil industry to lower prices," he said. "Unfortunately for the holiday selling season, oil prices probably won't go down until the first quarter of 1991."

The economist, however, is more bullish on 1991 than many other forecasters. The conditions are simply not in place to mirror a repeat of earlier recessions, he said.

"Last time oil went up, we were hitting a recession, so the mood of the consumer already was to retrench," said Mount. "This time, as oil prices stabilize and if Hussein and Bush can back away from their no-compromise positions, the psychology of the consumers will improve and they can come back into the marketplace very quickly."

Mount added, "The whole system is better prepared to rebound than in the past."

That's small consolation right now for retailers trying to woo depressed consumers.

K mart disclosed at an analysts meeting in Atlanta that same store sales rose just 0.7% in September, down from 1.6% in August.

Chief financial officer Thomas F. Murasky told analysts that the weak sales trend "reflects the extreme drop in consumer confidence that occurred over the summer," as well as weather-related softness in apparel sales.

Murasky told *DSN* that it's too soon to tell what effect low consumer confidence will have on Christmas sales at K mart.

Macy's is just one of many retailers that expect it will, having reduced Christmas inventories by more than $500 million from last year's levels.

At an analysts meeting in Minneapolis last month, Kenneth Macke, chairman of Dayton Hudson Corp., noted that the company's discount division is better prepared to meet a slowdown in sales. "Based on history, if business is difficult and the economy is soft . . . Target can be expected to perform relatively well, [while] Mervyn's and our department stores are more affected by cutbacks in customer spending."

A Conference Board survey last month of top business executives found that they share consumers' pessimism. A survey of 1,000 chief executive officers and other top executives found that confidence in the economy fell in the third quarter to the lowest level since 1980.

Zeller's Parent Gobbles Towers Department Stores

(Continued from page 1)
virtually neck-and-neck. Woolworth's 1989 sales were $2.2 billion in 1989. The combined Towers/Zellers sales last year were $2.7 billion, Tower's portion being $555 million.

While Woolworth's Canadian division had voiced interest in the Towers chain shortly after word leaked about talks between Hudson's Bay and Oshawa, Woolworth was "rebuffed" by the Oshawa Group, according to management, and not invited to place a competitive bid.

Terms of the agreement were not disclosed, but Hudson's Bay Co.'s executive vice president, cfo Gary Lukassen described the price as "somewhat above" the $100 million price tag suggested by Canadian financial analysts.

"The acquisition is an excellent strategic fit for our Zeller's division and represents a significant acceleration of Zeller's expansion plans," Lukassen said.

The purchase includes the 51 Towers department stores operated in Ontario, Atlantic Canada and Quebec (under the Bonimart name). Also included are the chain's 17 in-store pharmacies, 46 restaurants and corporate offices in both Toronto and Montreal. Not included in the acquisition is the distribution center at Tower's Mississauga headquarters.

The conversion of Towers stores into the Zeller's format is expected to begin immediately after the deal is complete and finished by March 1991. Lukassen said that while each store will need to be evaluated individually, he expects the conversion to the Zeller's format will cost "several hundred thousand per store."

The jewels of the acquisition are Towers' 11 Toronto stores, a market all but untouched by Zeller's.

Zeller's will need to eliminate as many as a dozen of the Towers locations due to overlap with Zellers stores, especially in the province of Ontario. "We're going to have to divest ourselves of some of the stores . . . A couple we'll have to close; we'll have to find new owners for others," Lukassen explained.

Zeller's stores average 65,000 square feet, while Towers are generally either 70,000 square feet or 50,000 square feet.

Creditor Seeks Jewelcor's Liquidation

(Continued from page 4)
multistate litigation by the First National Bank of Boston seeking more than $100 million in immediate repayment of sums allegedly owed the bank and a seizure of the company's assets."

FNBB's motion noted that "the debtors and bank hold opposing and irreconcilable views" on Jewelcor's management operating the company. "The parties have been in a disput on the issue since January of this year and in litigation over it since April."

The motion stated that an examiner is needed "to advise the Court whether [Jewelcor's] assets are in peril of loss or dissipation, as FNBB believes."

Jewelcor chairman Seymour Holtzman told the local newspaper that "we're not sick. We're a viable company" and its core Gruen Marketing watch busines earned a $15 million (pre-tax) profit last year. Jewelcor is "a victim of the troubled banking industry in New England," he said.

Last month, when Jewelcor filed its bankruptcy petition, the court authorized the cataloger to spend $4.1 million to buy watches and other merchandise and $3.5 million to pay employees.

The cataloger acted three weeks after FNBB filed a motion for a preliminary injunction in the U.S. District Court in Boston, noting that Jewelcor obtained a revolving credit and term loan in September 1988 to fund its LBO. FNBB's September motion contended that the LBO debt grew to over $91 million by March, when Jewelcor defaulted, and "today, they are delinquent in more than $101 million in principal and interest," with unpaid interest accruing at over $35,000 a day.

Jewelcor's filing halted payments to all its creditors including FNBB. The retailer said it acted following the hearing on FNBB's September motion that would have forced Jewelcor "to deposit virtually all of its cash into a National Bank in Boston pending the outcome of the various litigations."

FNBB and Jewelcor have been locked in a long-standing legal battle over the LBO debt. Jewelcor had been successful in holding off court action prior to the bank's motion for the preliminary injunction.

Jewelcor said it regretted FNBB's "unwillingness to negotiate an equitable resolution . . . in a way that would have spared harm to innocent third parties."

Marshalls Set to Open New Unit

(Continued from page 2)
Marshalls joins the ranks of other off-price specialty stores, such as Loehmann's, in offering a back room atmosphere. At Loehmann's, The Back Room, also separated from the rest of the selling floor, tends to be reserved for higher priced items, such as designer cocktail dresses.

Despite the similarity in name, Marshalls said it called the new space 'Designers' Back Room "to avoid confusion with other off-price apparel retailers."

The retailer reported it expects a total of nine select stores to have this room by the end of 1990. A company spokesman said that these are stores chosen on the basis of "where customers have proven a preference for better designer merchandise." More may be in the offing, depending on the success of these first nine.

Office Stop Opens Flagship Store

(Continued from page 3)
flagship store opened, Oct. 18, Office Stop opened a 31,000-square-foot unit south of Baltimore, in Glen Burnie, Md. One more Baltimore unit is planned.

On Oct. 25, Office Stop opened a 30,000-square-foot unit in Philadelphia, and the chain plans to open in Warwick, R.I., Nov. 8 and Rochester, N.Y., Dec. 7.

As many as 14 to 16 stores are planned for 1991 including January openings in Hartford, Conn., Warwick and Providence, R.I. Next spring, Office Stop plans to open in Boston.

In addition to the much larger size of the flagship store, the upgraded computer systems and the computer service center, other new features of the Towson unit include: 40 linear feet of software, double that of the traditional 30,000-square-foot units; seven sku's of MontBlanc pens priced from $74 to $299; cellular phones featuring such labels as Nokia, Oki, Mitsubishi and Panasonic; and a recycled paper department.

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Membership Merger Mania

A&P Joins the Club: Supermarket Catches Warehouse Club Fever

SKOKIE, Ill. — Another powerful national retailer has jumped into the membership warehouse club industry, joining Wal-Mart, Kmart and Price Co.

The Great A&P Tea Co. this month purchased 7.3 million newly issued shares of stock in the Warehouse Club, the 10-unit membership club operator based here, for $10.95 million ($1.50 per share). Pending approval by stockholders, A&P will now control some 50.8% of Warehouse Club stock. The stock was trading at 88 cents per share on Nov. 12, the day before the sale announcement.

However, the membership club will operate as an independent subsidiary, said Warehouse Club president Sherwin Deutchman.

"They're a majority shareholder, and we will work with them as partners, but we'll still be independent," he said. "Of course they'll have representation on our board of directors, but present management will remain and help Warehouse Club grow in the future."

According to Deutchman, A&P's interest was piqued by the realization that at some point in the future, it would have to compete with the booming warehouse industry.

"So like Wal-Mart, they decided that they'd rather compete with themselves," Deutchman said. The nearly $11 million purchase price will fall to the bottom line and be used for expansion, he added.

"And, we now have a deep pockets backer who can

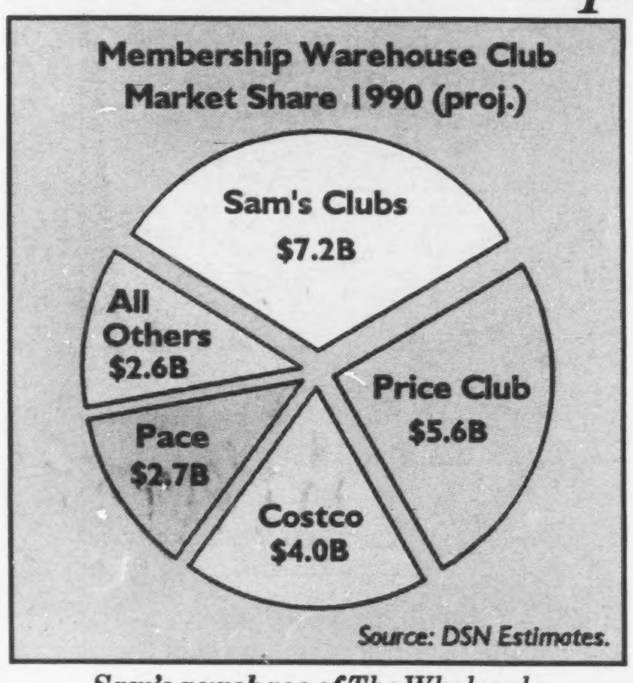
(Continued on page 26)

Sam's Captures Midwest Club Market With Wholesale Club Acquisition

By Pete Hisey

BENTONVILLE, Ark. — The wholesale club industry took another turn toward consolidation with the purchase early this month of The Wholesale Club by Wal-Mart, operator of the newly renamed Sam's Clubs.

The 27 Wholesale Club units will offer the 141-unit Sam's instant strength in the Midwest, as well as management depth as the Wal-Mart division overtakes Price Co. as the largest volume membership wholesale operation in the nation.



***Sam's purchase of** The Wholesale Club thins the membership industry to four major players.*

The move was made partially in response to Kmart's acquisition this summer of Pace Membership Club—a move that turned Pace into a major warehouse club player. The industry now consists of four first-tier companies—Sam's, based in Bentonville, Ark.; Price Club, San Diego; Costco, Kirkland, Wash.; and Pace, Aurora, Colo.—and a rapidly shrinking number of smaller operators, like Chicago-based Warehouse Club (which was recently purchased by A&P, see accompanying story); BJ's, Natick, Mass.; and Price Savers, Salt Lake City. Another smaller warehouse club operation, Club Wholesale, Meridian, Idaho, recently adopted an office-supplies-only strategy.

Wal-Mart paid roughly $180 million for the chain, which reported $330 million in sales in the most recent six month reporting period. However, most of the purchase price (which works out to slightly over $6 million per store, not much more than the cost of building new ones) will be paid in Wal-Mart stock. The price worked out to $21 a share, a significant premium, given that the stock had been trading at a little over $15 the day before the Nov. 6 announcement of the merger/-acquisition.

"We are very pleased with this merger," said Wal-Mart president David Glass, in a prepared statement. "We believe that the clubs and operations of The Wholesale Club will complement the current operations of Sam's Club Division and will give us a significant presence in some exciting new markets. We also believe that The Wholesale Club organization will be an important addition to our company team."

The Wholesale Club, ironically, was undertaking a significant expansion at the time of the sale, opening three stores in the Chicago market, a market that Sam's and Wal-Mart have been surrounding for the past two years.

Founded in 1982 by discount industry pioneer John Geisse, The Wholesale Club built up steam slowly. However, in the past three years, growth has been dramatic. Store count increased to 27 from 11, and sales rose to a projected $700 million from $165 million in 1987.

(Continued on page 26)

Child World Plans Prototype Rollout

By Laura Liebeck

AVON, Mass. — Child World will spend $10 million to $12.5 million next year renovating 20 to 25 units to its latest store prototype.

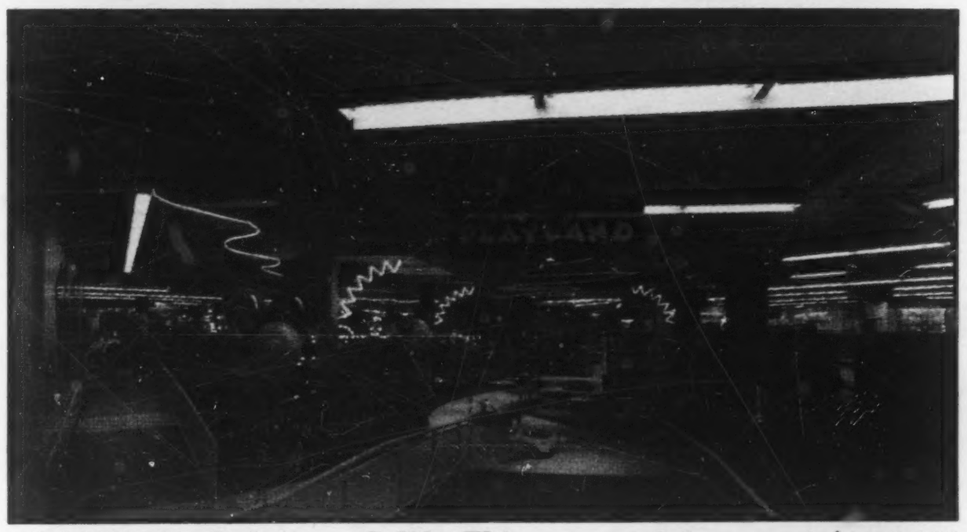
At $500,000 per unit, most of the toy chain's 36,000-square-foot stores will eventually be renovated to resemble its Framingham, Mass., model, which opened a year ago, said Peter Hayes, president and chief executive.

"The plan is to continue renovations until we're done," said Hayes, noting that currently there is no time frame for completion of the project.

"I want us to be America's favorite toy store," he said, reiterating the chain's mission statement.

Hayes said he wants Child World to offer customers a fun and exciting place to shop for toys in addition to providing them with cleaner, brighter stores, more friendly and informed sales help and the necessary selection, product availability, and price to win over the customer.

(Continued on page 19)



***Child World, Del Amo, Calif.: This new prototype** contains 8,000 sku's rather than the usual 12,000.* (Courtesy of Child World)

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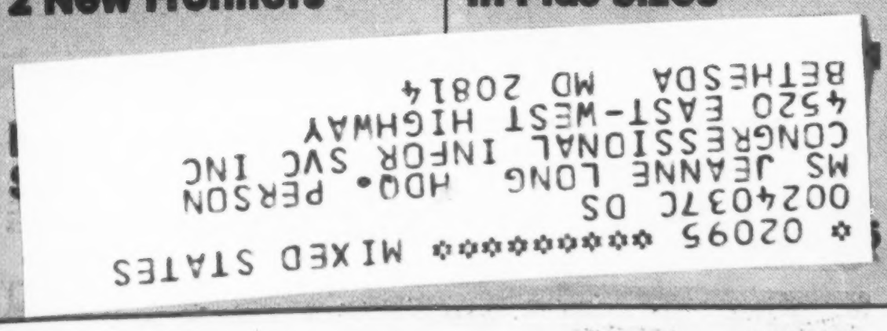
Burlington Blazes 2 New Frontiers

Bigger is Better in Plus Sizes



Motor Oil Prices Skyrocket 34%

By Richard C. Halverson

CHICAGO — When motorists buy motor oil next month, they're apt to get the same kind of sticker price shock they've experienced at the gas pumps for the past three months.

With a 60-day notice to their customers, oil companies have raised the wholesale price of motor oil by as much as 34% since August.

Those price increases represent the major news affecting discounters coming out of the 1990 show of Auto Parts and Accessories Association held here last month.

Discounters traditionally feature motor oil as a loss leader to build traffic, such as Venture, which advertised Pennzoil for 89 cents a quart the week of Oct. 22.

Anybody who sells Pennzoil for 89 cents a quart is losing money, according to John Hey, a chemicals buyer for Western Auto, the Kansas City, Mo.-headquartered subsidiary of Sears, Roebuck & Co.

(Continued on page 20)

MARKETWATCH

Onkyo U.S.A. Challenges Best Buy's Suit

MINNEAPOLIS — Onkyo U.S.A. has asked a federal court judge to dismiss charges brought by CE retailer Best Buy that the audio supplier discriminated against Best Buy and artificially maintained minimum resale prices on its goods. Onkyo contended that Best Buy's testimony "failed to substantiate . . . antitrust conspiracy claims." Onkyo also asked for damages based on breach of contract, brought about by Best Buy's Concept II "self-service stores" that Onkyo said specifically violate a dealer agreement to "support and develop sales" and "to sell Onkyo products only in retail stores suitable for the sale of sophisticated audio products."

ShopKo to Recycle Plastic Bags

GREEN BAY, Wis. — ShopKo has launched a program at all 104 stores to recycle plastic bags. Each store provides a recycling bin where customers can deposit clean plastic bags from any retailer. The chain then ships them to its supplier to be recycled into either more plastic bags or other products. ShopKo itself uses bags made partially of recycled plastics. The chain refused to disclose the cost to run the program.

Pic 'N' Save Picks Williams

DOMINGUEZ, Calif. — Pic 'N' Save named Len Williams, former president of Caldor and former ceo of the defunct Gold Circle chain, as its new chief executive officer and president. He succeeds Lewis B. Merrifield III, a lawyer who resigned last July following the turmoil of an aborted takeover attempt. As the nation's second largest closeout chain, Pic 'N' Save operates 186 stores.

Target Opens Southeast DC Facility

TIFTON, Ga. — Target's newest distribution center serves the chain's expanding Southeast market. The 750,000-square-foot facility provides a 15,000-square-foot attached single-story administrative office building and a second 5,000-square-foot office area in the warehouse building. A shipping and receiving office is located in the rear of the building. The new DC has 169 truck docks. Target has 15 stores in Georgia and six in Florida. The retailer's aggressive five-year expansion targets growth in the Southeast, especially in Florida, where over 50 stores are planned.

Mrkonic to Head Kmart's Specialty Arm

TROY, Mich. — George R. Mrkonic Jr. has been named executive vp of Kmart's specialty retailing division. He will oversee Pay Less Drug Stores and Waldenbooks, two divisions that formerly reported directly to chairman Joseph Antonini. Upon the retirement of Larry Parkin, who now oversees Pace Membership Warehouse, Sports Authority and Builder's Square, Mrkonic will also be responsible for those businesses, reporting directly to Antonini. Mrkonic, 38, joins Kmart from Eyelab Inc. a subsidiary of Cole National Corp. that was recently sold to Pearle Inc.

Alexander's to Sell 4th Store Lease

NEW YORK — Alexander's plans to sell the lease of its 260,000-square-foot store in the Roosevelt Field shopping center in suburban Garden City, N.Y., to its landlord for $25 million and expects to record a pretax gain of about $17.5 million when the move is completed by February, 1991. The unit's retail performance "has been marginal," chairman Robin L. Farkas said, accounting for less than 6% of the chain's revenues last year. The discounter has been selling store leases when the sites have more real estate than retailing value, gaining $43 million in pretax income from the sale of three leases in the past few years.

FOR THE RECORD

In *DSN*'s Top Brands Survey (Oct. 1) Franklin, a producer of baseball, basketball, soccer and volleyball equipment, was incorrectly reported as having dropped five places to ninth this year. Franklin actually placed seventh among store managers as a top performing brand in sporting goods, tied with MacGregor and Murray. In the 1989 survey, Franklin tied for seventh place with Garcia, a maker of fishing equipment.

Although in seventh place for two years, Franklin was mentioned more often this year as a top performer than it was in 1989. Franklin improved its position substantially among conventional discounters, which named it a top performing brand twice as often this year as they did a year ago.

Burlington's New Frontiers

Off-Pricer Opens Stores in Manhattan, Alaska

NEW YORK — Burlington Coat Factory Warehouse broached the first of two very different frontiers on Halloween day when it opened its first-ever Manhattan store. According to the firm, it will also open its first Alaska store in Anchorage this month.

The five-story, 55,000-square-foot store, three blocks from New York's City Hall and close by the Wall Street financial district, features an expanded men's business wear department that takes up most of two floors. That innovation is expected to spread to other major market stores in Boston, Philadelphia and other cities. The children's wear department is also larger than in most Burlington stores, with juvenile furniture eliminated to partially make up for the increased apparel footage.

***NYC official Norman Silverburg** (l.) welcomes Burlington vps Steven Milstein, Mark Nesci and Andrew Milstein to the Big Apple* (DSN photo)

According to Steven Milstein, executive vice president, the Park Place location is expected to do better than most Burlington locations in per square foot sales. Its proximity to Wall Street and City Hall will provide almost unlimited local foot traffic, and Milstein expects the store to be a weekend magnet for Brooklyn and Queens shoppers, much as the nearby J&R Music World draws thousands of such shoppers each Saturday.

The store opening was marked by the presentation of an Economic Vitality Award from the office of New York mayor David N. Dinkins. Norman Silverburg, a representative of the Mayor's Office of Economic Development, presented the award to Steven and Andrew Milstein, their mother, Henrietta Milstein, and vice president, store operations Mark Nesci in a brief ceremony.

Burlington now operates 160 stores in 37 states, and will have added 10 more by fiscal

(Continued on page 25)

Store Design Focus of IMRA Confab

SAN FRANCISCO — The past year has seen a succession of "Stores of the '90s" from such mass retailers as Wal-Mart, Kmart, Target, Ward, Clover, Caldor and Bradlees, and more are scheduled. Which will be the winners and which the losers?

That will be the major subtheme of the annual IMRA Store Planning & Design Conference, which will take place later this week (Nov. 28 to 30) at the Westin St. Francis hotel in San Francisco.

The convention will feature speakers like Don Clarke, chairman and ceo of Caldor, which recently unveiled its new prototype; ShopKo's director of store planning, construction and engineering, Michael Wilson; Jamesway vice president of store planning, maintenance and construction Al Petrillo; and Dan O'Harra, senior vice president of operations, Caldor.

Discussions will feature more than simply store design, however. Topics to be addressed include future design trends, space management, the manufacturer's role in merchandise presentation, visual merchandising, fixturing, planning a remodel, and innovative ideas in European store equipment.

The cost for the three-day event is $450 per person for members, $800 per person for non-members, with discounts for additional attendees. For more information, contact IMRA at (202) 861-0774.

Pamida Sales Increase, Profits Decline In 3Q

OMAHA, Neb. — In its first financial report as a new public company, Pamida reported a 4.6% decline in operating income on a 4.1% sales gain for its third quarter.

Same stores sales slipped 2.2% for the period ended Oct. 28, although comparable store sales increased 1.5% for Pamida's first nine months.

For the quarter, Pamida sales increased to $159.5 million from $153.2 million in the year earlier period. Sales for the year to date rose to $468.6 million from $439.2 million last year.

Operating income for the third quarter dipped to $7.9

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Mass Merchants Gain Ground in H&BA

H&BA Sales By Channel of Distribution

	1989 Mass Merchandisers	1989 Food Stores	1989 Drug Stores
Total Share H&BA*	18.3%	43.2%	38.5%
Camera, Film	34.1	29.2	36.7
Home Wave Kits	33.0	19.6	47.4
Women's Hosiery	27.6	44.6	27.8
Hair Color	27.3	19.6	53.1
Soft Contact Lens Solutions	26.5	26.7	46.8
Baby Powder	26.0	43.1	30.9
Hair Fixatives	25.6	43.8	30.6
Mousse	25.1	42.7	32.2
Batteries	24.2	43.8	32.0
Pre-Moistened Towelettes	23.9	59.5	16.6
Shampoo	22.2	49.9	27.9
Deodorants	22.2	49.4	28.4
Feminine Douches	21.8	39.9	38.3
Aftershave Lotion/Cologne	21.7	17.6	60.7
After Shampoo	21.6	43.0	35.4
Cotton Swabs	21.1	53.0	25.9
Color Cosmetics	21.0	19.3	59.7
Bath Products	20.9	29.8	49.3
Mouthwash	20.8	50.3	28.9
Shaving Cream	20.5	48.8	30.7
Hand & Body Lotions	20.1	36.8	43.1
Blades & Razors	19.8	50.3	29.9
Ethnic Hair Preps	19.8	22.3	57.9
Face Creams & Lotions	18.9	24.2	56.9
Dentifrice	18.5	58.7	22.8
Disposable Diapers	17.6	72.3	10.1
Sanitary Protection	16.9	57.5	25.6
Laxatives	14.5	28.2	57.3
Stomach Remedies/Antacid	14.4	43.4	42.2
Foot Remedies	14.3	29.0	56.7
Internal Analgesics	14.1	49.8	36.1
Topical Hydrocortisones	13.8	28.0	58.2
Sinus Remedies	13.2	47.3	39.5
Cold Remedies	11.7	44.3	44.0
Early Pregnancy Test	11.7	19.1	69.2

*Refers to the market share of health and beauty aid products captured by each retail channel.

Source: Nielsen Marketing Research

By Jill Lettich
Exclusive Nationwide Study

Mass merchants grabbed an expanded share of the health and beauty aids market last year, according to the latest figures from Nielsen Marketing Research. Coupled with a 2% increase in unit count for the year, Nielsen's 1990 Review of Mass Merchandisers, released exclusively to *Discount Store News*, paints a positive picture of the discount tier.

The comprehensive Nielsen study includes reports and figures on pertinent issues to mass merchandisers. Part 1 of the report, presented here, reviews the overall growth trend in the mass market as well as the quickly expanding health & beauty aids area.

In addition to an overview of mass merchandisers, the Nielsen survey extensively covers specialty departments such as the pharmacy and grocery areas. The study also reviews retailer advertising and merchandising trends. These will be reported in a later edition of *DSN*.

The universe of mass merchants upon which the Nielsen research is based includes 6,681 retail stores, a 2% gain from the 6,576 stores in 1988.

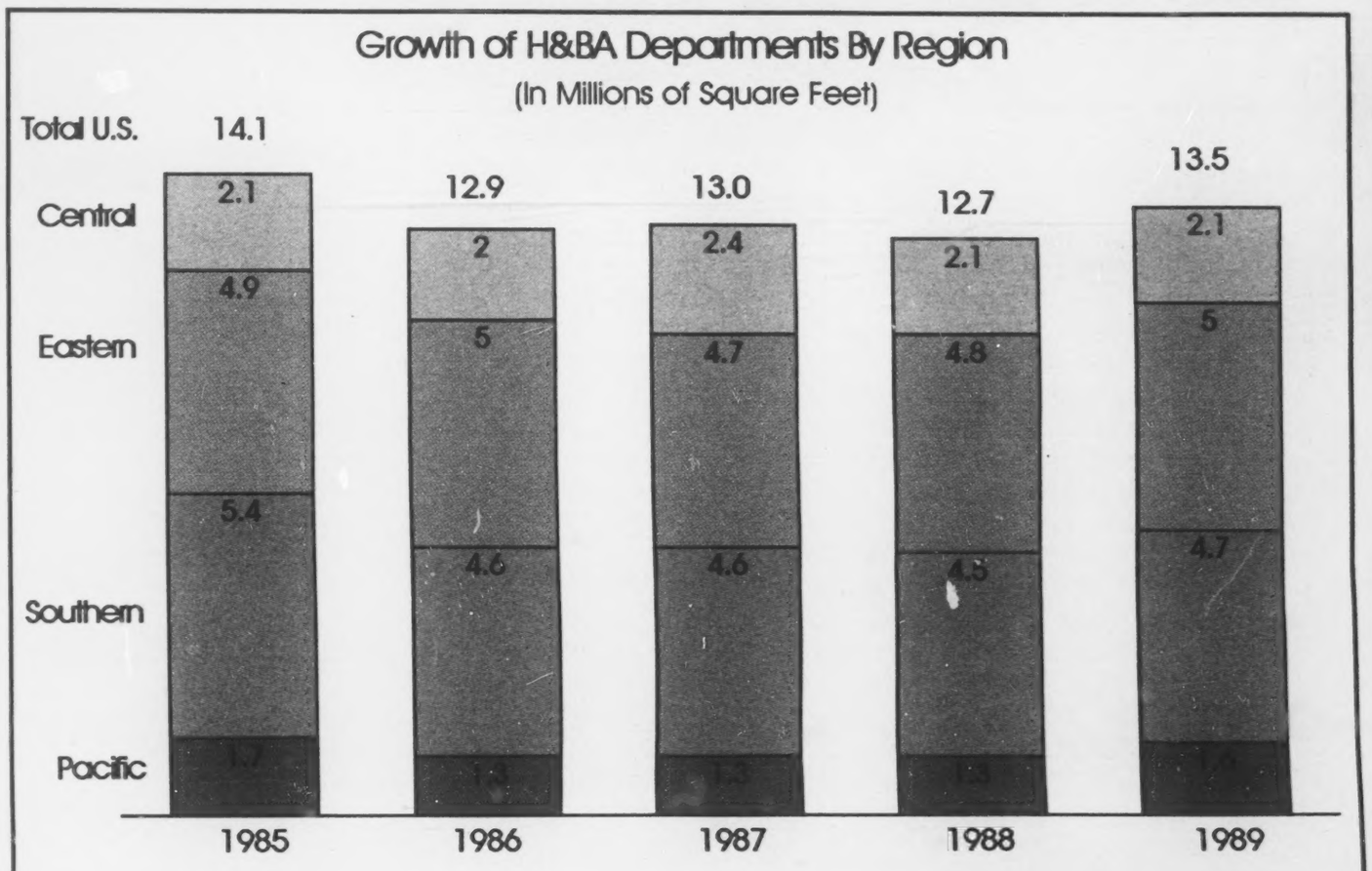
The Central and Pacific regions were the largest beneficiaries of store unit growth. The number of outlets went from 554 to 596 in the Pacific. The Central region recorded a slight increase going from 2,388 units to 2,470.

The Eastern region of the country remained virtually unchanged with 1,283 units. The South lost outlets and went from 2,354 to 2,332.

Despite the 2% growth in total store units, there was no change in the total square footage of selling area among the mass merchants, according to Nielsen.

The Pacific region was the only one showing any significant growth in square feet of selling space. It went from

(Continued on page 9)



Source: Nielsen Marketing Research

Ruling Forces Sam's to Drop 'Wholesale' Name

Sales tax evidence convinced a Superior Court judge in North Carolina last month that Sam's was doing the preponderance of its business at retail.

By Richard Halverson

BENTONVILLE, Ark. — Most of the goods that business members buy from Wal-Mart's Sam's Clubs are purchased for use within businesses and for personal use, rather than for resale.

That's the conclusion drawn from a North Carolina judicial ruling ordering Wal-Mart to drop the word wholesale from the name of its Sam's Wholesale Clubs. The reason: only 11% to 15% of its sales were exempt from sales tax because the merchandise was intended for resale, including food that restaurants purchase, whereas state law requires at least 50% for a company to use wholesale in its name. (North Carolina consumers pay a 5% sales tax on food.)

With the exception of four Kansas City, Mo., units, all clubs now go by the name of Sam's Club. In order to comply with the court ruling, Sam's changed the signs on its five clubs in North Carolina but won't waste money changing them on existing units.

On new clubs, however, storefront signs and membership materials read Sam's Club.

On the newest Sam's, opened Oct. 29 in Sioux Falls, S.D., the storefront sign reads Sam's Club. Sam's oper-

(Continued on page 26)

IKEA Opens 1st California Store

Chain Aggressively Pursues International Expansion

By Mary Ellen Kelly

BURBANK, Calif. — Bright blue T-shirts with yellow lettering beg the question: "Why did it take four years for IKEA to come to Southern California?" The back of the T-shirt purports to provide the answer: "Traffic."

While residents of Burbank and surrounding areas smile wryly when the Swedish company jokes about the sore reality of driving a car in Southern California, traffic did not keep consumers from flooding the first IKEA on the West Coast.

The 240,000-square-foot home furnishings megastore in Burbank, opened earlier this month in 41-acre Media City Mall, is the first of four IKEA stores scheduled for construction in the Greater Los Angeles market.

Growth on the West Coast will be supported by the construction of a new distribution center in the Inland Empire region, East of Los Angeles. Plans are to have the DC up and running within the next two years. Internationally, IKEA distributes to its stores in 21 countries with 21 DCs.

The Burbank store is expected to contribute $50 million in sales to the company's annual business, according to Göran Carstedt, president of IKEA North America. IKEA's U.S. sales for 1990 are projected to reach $280 million, according to Carstedt.

Göran Carstedt, president, IKEA, North America.

The new store is just a piece of the aggressive international expansion roster for the decade, outlined by IKEA executives during a pre-opening press conference at the Burbank store.

A second California IKEA will open in Fontana early in 1992; the two other stores for the Los Angeles market are expected to be up and running by the end of 1993. Currently five U.S. stores are open: Philadelphia; Washington, Baltimore; Pittsburgh; Elizabeth, N.J.; and Burbank.

Carstedt said that in addition to a previously announced spring opening on Long Island, two more stores will be opened near the New York metropolitan market. IKEA's North American flagship store was opened roughly a year ago in Elizabeth, N.J. Other North American openings during 1991 include IKEA's eighth store in Canada, its second for the Toronto market.

Anders Moberg, president and chief executive officer of IKEA Worldwide, noted that 1990 marked IKEA's first stores in both Hungary and Poland and that the first IKEAs in

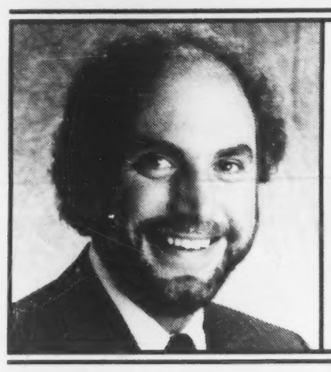
(Continued on page 25)

EDITORIAL

Retailers Yen for Urban Opportunities

There's something happening in retailing today—something that many industry observers would never have predicted—that reminds me of a song made famous by singer/composer Peter Allen that proclaims "everything old is new again."

Discount retailers are rediscovering urban development. The "unlimited" growth in the suburbs has slowed and retailers are now returning to the downtown areas that they once shrugged off.



TONY LISANTI
Editor

Consider what's happened in New York. Traditionally, high rent, lack of prime space, and the general high cost and hassle of doing business had retailers convinced the Big Apple would be a big bust. But things have changed.

- Lionel Kiddie City opened its first store on 34th Street in late 1988 becoming one the few discount chains operating in Manhattan. It opened its third unit last month on 79th Street and Broadway.
- Burlington Coat Factory opened its first Manhattan store—a five-story unit three blocks from City Hall—last month.
- Toys "R" Us opened its first Manhattan store—a three-story unit on Broadway and 34th Street—earlier this month.
- Kids "R" Us will open on 34th Street in Spring 1991.
- Union Square Shoppers Club—Manhattan's first membership warehouse club—is scheduled to open this month.
- Marshalls is constructing its first Manhattan superstore at 14th Street and Union Square.
- Alexander's opened its first department store in 10 years last May in an ethnic neighborhood in the Bronx. TSS had previously occupied the site.
- Other specialty discounters which also now operate stores in Manhattan include Nobody Beats The Wiz, Staples, Kay-Bee, Modell's and Herman's.

Furthermore, Caldor recently opened a 130,000-square-foot "neighborhood" store in Queens. It's the first of four stores planned for Long Island. Kmart also has plans for 12 stores in the Greater New York area with its first store opening Nov. 28 in Babylon. Could Manhattan be next for these full-line discounters?

Surprisingly, the New York market hasn't really changed that much since the early '70s when E.J. Korvettes was a household name among retailers with its nine-floor flagship store sandwiched between Macy's and Gimbel's at 33rd Street and Herald Square. It still offers the same characteristics: dense population, high traffic and middle-class customers. All it takes is some flexibility and creativity towards operations, layout and design.

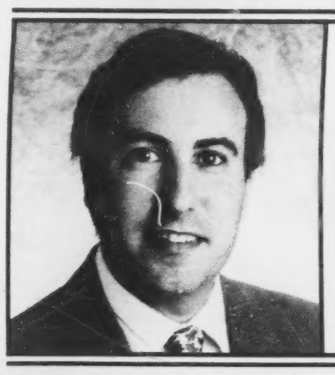
Throughout the 1990s, more and more discounters will discover that many urban areas are no longer centers of decay, but pockets of opportunity.

BUYERS & SELLERS

Economy, Mideast War & Business Courage

It appears fairly certain that retailers, their suppliers and their customers will face harsh economic conditions in the year ahead. How harsh is hard to tell.

Recent *DSN* research indicated that consumers are far more concerned with their own income prospects than they are with the current crisis in the Mideast. However, a rapid conclusion to the Mideast stalemate could effect the greatest immediate change on the state of consumer confidence and could provide the biggest lift or depressant on sales.



DON LONGO
Exec Editor

Here's what could happen:

1. The military buildup in Saudi Arabia will continue and U.S. troops will clash with Iraqi forces.

Outcome: A.) American troops achieve a swift victory, oil prices plummet and consumers open their pocketbooks in a short-term binge of post-police action spending; or,

Outcome: B.) American troops encounter stiff opposition, the body count swells, inflation skyrockets and the economy hits the rocks.

2. The military buildup will continue and U.S. troops will sit and sweat it out in the desert as Bush and Hussein continue to lob insults (instead of grenades) at one another.

Outcome: Essentially same as 'B' above, sans body counts.

3. Bush and Hussein will reach a compromise, non-military solution to the Mideast problem, and military tensions, at least as far as the United States is concerned, ease.

Outcome: Same as 'A' above.

No one can predict with certainty which way the situation will go. So, retailers, suppliers and all businesses are understandable skittish about 1991.

This may sound like yelling into a wind tunnel, but I feel the best course of action for retailers and suppliers alike is to be aggressively conservative in their plans for the coming year. Don't let despair over the economy become a self-fulfilling prophecy. I like a recent comment I heard from Bill Berry, president of Anchor Hocking Glass, in describing the attitude of its parent company Newell: "We will be profitable. We will invest in our business. We will aggressively expand our business. We will be customer focused and we will be a leader."

No wonder Newell has been one of the most successful American businesses of the past decade. Companies with the backbone to follow that strategy will be tomorrow's leaders.

READERS' REPLY

Dear Editor:

After reading your editorial, "A Ray of Hope Shines on York, Pa.", I could not help but think of our recent visit to Bentonville, Ark., and the surrounding area.

The Wal-Mart Company invited their key craft vendors to participate in a "make it—take it" craft fair. The reason for my writing to you is that whether it was touring a Wal-Mart warehouse, visiting the new visitor's center, or having a 5:30 a.m. breakfast meeting with Mr. Sam Walton, the Wal-Mart enthusiasm and spirit is a truly amazing phenomena. When people asked, what kind of time is 5:30 a.m. for a meeting, they were told it is Wal-Mart time.

—David Blumental
Lion Brand Yarn Co., New York, N.Y.

Dear Editor:

While I found your editorial in the Nov. 5 issue interesting, I must disagree with your statement that Toys "R" Us hopes to be the first U.S. retailer to operate in Japan. For several years, Sacramento, Calif.-based Tower Records has been operating stores in Japan with considerable success. They currently have 10 stores in Japan.

It is unfortunate the retail press has not written must about this exceptional retail operation. Tower, one of America's premier music retailers, has operated stores in Europe for a number of years as well.

—George Whalin, president
Retail Management Consultants, Inc., Chicago, Ill.

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Mass Merchants Gain Ground in H&BA

(Continued from page 3)
39.4 million square feet of selling space in 1988 to 42.1 million square feet in 1989.

In line with the decrease in the number of southern mass merchant outlets, the South recorded less than 1% growth in square footage. It remains, however, the region with the largest amount of selling space, 136.7 million square feet.

The Eastern and Central regions lost space, the study noted. In the East, space went from 79.9 million square feet to 78.7 million square feet. In the Central region, space went from 139.5 square feet to 136.7 million square feet.

In total, mass merchants had a total of 380 million square feet of selling area in 1989, the same as in 1988.

That same figure averages out to 56,000 square feet of selling area per store, a decline of 2% from 1988's total of 57,917 square feet.

After a sharp increase in 1986 when the percentage of selling space increased 9%, the growth of mass merchant outlets has stabilized. The average annual percent change reported for square feet of selling area per store for the last three years is 1.4%, the Nielsen survey reported.

Discounters may not have added on much selling space in 1989, but how they used it changed considerably. The H&BA department gained an impressive 6.1% of retail selling space, arriving at a total of 13.5 million square feet in 1989. This is up from 12.7 million square feet in 1988.

With this increase, the mass merchant tier has managed to gain some valued H&BA customers from food store and drug store shoppers. In fact, four H&BA categories sold better at mass merchants than in other outlets.

Home wave kits, hair color, aftershave lotions and colognes, and color cosmetics sold better at mass merchants than at food stores, according to the survey. In two categories, pre-moistened towelettes and disposable diapers, mass merchants outsold drug stores. Mass merchants also placed high in sales of soft contact lens solutions and ethnic hair preparations.

While the increase in H&BA is significant, the entire category has been through a roller coaster ride in the last few years. In fact, the results of 1985 to 1989 show a definite cyclical pattern.

After a 1985 high of 14 million square feet of H&BA selling space, it declined 7% to 12.9 million in 1986. It went back up to 13 million square feet in 1987, and back down to 12.7 million square feet in 1988, before settling at 13.5 million in the latest study.

Averaged per store, the Nielsen study found that the H&BA department accounted for 2,018 square feet of selling space. That equals 4.2% of the total mass merchant space at each outlet. The increase was only 2 percentage points higher than that reported in 1988.

Overall, in the last three years, H&BA has garnered a 1.3% rise in floor space for that time frame.

In Nielsen's latest figures, H&BA accounted for 3.5% of selling space in mass merchandiser outlets as a whole. This is the same as in 1987, but just off the 1984 high of 3.8% of total mass merchant selling space.

Of the 6,681 outlets included in Nielsen's study, 6,668 feature H&BA items.

Again, the Central and Pacific regions recorded the largest H&BA space allocation growth.

The South showed a 1% decline in H&BA square feet of selling space, while the Eastern region remained stable.

The H&BA items that are selling in these increased departments are a testament to demographers. Nielsen's "very hot," products—those with dollar sales increases greater than 15% between 1988 and 1989—shows there is a baby boom going on. Disposable diapers, early pregnancy tests and diaper rash creams all made this list.

This category also included some "graying of America" items such as foot remedies, denture products and arthritic remedies.

After-shampoo lotions, aftershaves, and lip and face makeup were among the "hotter" products. Nielsen defined these as increasing between 10% and 15% in 1990.

The "hot" list (sales increases between 5% and 10%) featured the arthritic remedies, hair color and eye makeup.

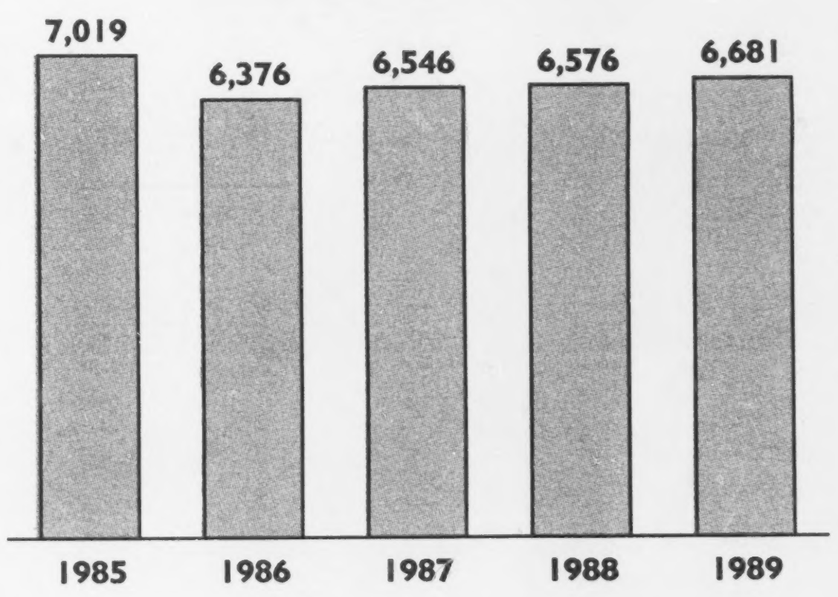
Cotton swabs, baby powder, deodorants and bath prducts were "warm," with sales increases between 0% and 5%.

The "not so hot" category included shaving creams, talc, ethnic hair products and, surprisingly, baby oil and lotions.

According to Neilsen, deodorants occupy the most shelf space in the H&BA area. Diapers, sanitary napkins and shampoo run close behind.

According to Neilsen, mass merchandiser outlets totaled 6,681 in 1989 and that is the number all its figures are based on. The firm defines mass merchandisers as presenting a discount image, having 10,000 square feet or more of selling area and handling at least three merchandise lines. The total may differ from *DSN* estimates. For a comprehensive look at the major mass merchants, refer to *DSN's* annual industry reports, in the July 2 and July 16, 1990 issues.

Growth in Number of Mass Merchandiser Outlets



Source: Nielsen Marketing Research

Very Hot
(Dollar sales increases greater than +15%)

Disposable Diapers
Sinus Remedies
Early Pregnancy Test
Topical Hydrocortisones
Face Creams & Lotions
Diaper Rash Creams
Diarrhea Remedies
Pre-Moistened Towelettes
*Camera, Film
Foot Remedies
Soft Contact Lens Solutions
Mouthwash
Suntan Lotions & Oils
Hand & Body Lotions

Hotter
(Dollar sales increases over +10% thru 15%)

After Shampoo
Toothbrushes
Lip Makeup
Laxatives
Cold Remedies
Shampoo
Aftershave Lotion/Cologne
Denture Adhesives
Face Makeup
Internal Analgesics
*Women's Hosiery
Home Wave Kits
Nail Color
Nasal Spray
Vitamins

Hot
(Dollar sales increases over +5% thru +10%)

Arthritic Remedies
Hair Color
Denture Cleansers
Eye Makeup
Throat Lozenges
Sanitary Protection
Blades & Razors
Stomach Remedies/Antacid
Dentrifrices

Warm
(Dollar sales increases over 10% thru +5%)

Cotton Swabs
Hair Fixatives
Men's Hair Preps
Baby Powder
Deodorants
Depilatories
Bath Products
Mousse
Women's Fragrances
Women's Contraceptives

Not So Hot
(No dollar sales growth or decline)

Shaving Cream
Talc/Dusting Powder
Feminine Douches
Ethnic Hair Preps
Baby Lotion
Baby Oil
Dieting Aids
Batteries

**Products not included in Health and Beauty Aids category.*

Source: Nielsen Marketing Research

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Bigger Keeps Getting Better

Discounters Expanding To Meet Needs of the Plus Size Woman

By Jill Lettich
Nationwide DSN Report

If bigger is better in retailing, then nowhere is this more true than in plus sizes.

Plus size apparel currently constitutes over 25% of the women's wear market, according to industry statistics. This easily explains why the plus size department at major discounters has been expanding, and why more apparel manufacturers target that customer.

From jeans to pantyhose, quality products on the market has been steadily improving.

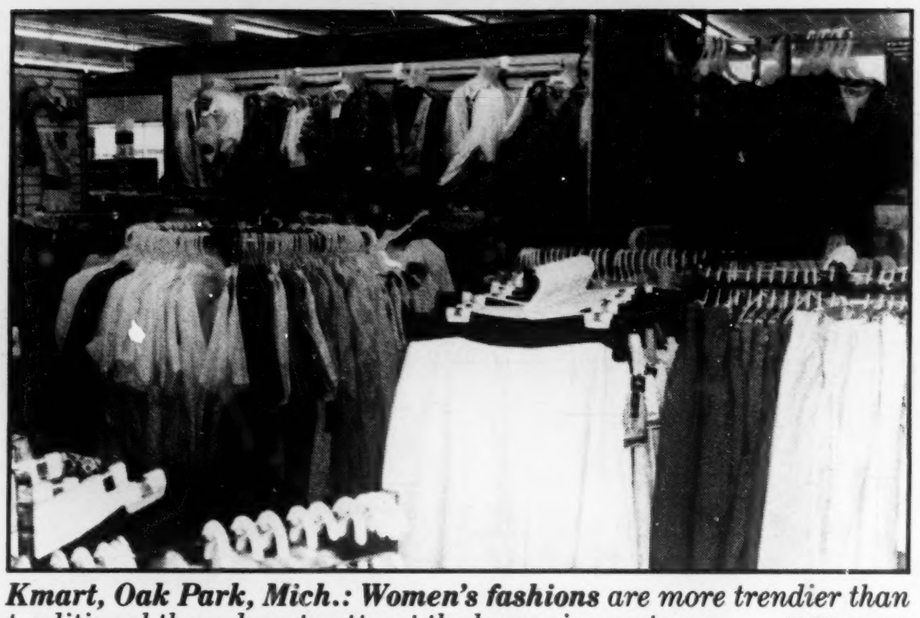
The dowdy, oversized duster has been replaced with fashionable garments from brand labels such as Bonjour, Gitano and Just My Size.

The look of the plus size department has changed for the better as well. In the new Kmart prototype, the department has a trendier, fashionable flavor. At off-pricers such as Marshalls, the department has also been given generous spacing, and offers tailored suits in addition to the more predictable larger sweatsuits.

In research for its new bra and panty line, Just My Size estimated that there are 30 million customers out there. Of interest to retailers in ethnic markets is the fact that plus sizes encompass 25% of the black market.

The new Just My Size undergarments—the brand has already made a hit with pantyhose—may change further the image of the department.

"A customer, either a large or regular size, does not easily walk into the lingerie department of a Bradlees," said Charles Forrest. "But with our new line, we hope to help discounters build this area and get shoppers accustomed to expecting quality items."



***Kmart, Oak Park, Mich.: Women's fashions** are more trendier than traditional these days to attract the large size customer.* (DSN photo)

In most cases, discounters and off-pricers have already managed to meet customers expectations.

Dress Barn, Stamford, Conn., is in its second year of operating Dress Barn Woman. According to Michael Palmer, executive vp, the concept is beginning to take hold as more customers become familiar with the idea. "We're up to 28 stores now and same store sales are beginning to show increases. We found a niche where we felt there was a real void," he said.

Dress Barn Woman opened in markets already served by Dress Barn. It is also now experimenting with adjacent stores separated, Palmer noted, with a partial wall. The design "takes advantage of the labor force we have." Palmer said six more stores are slated to open in the spring.

Another specialty retailer that has entered this realm is Sizes Unlimited/Lerner Woman, which recently changed its name to The Avenue. Steve Atamanchuck, a spokesman for the firm, said the two former divisions of The Limited were merged and bought out by management two years ago because of the growth spurt experienced by this market.

"There are plenty of opportunities out there," Atamanchuck said. "It is a merchandise area that is growing by leaps and bounds." The chain currently operates 367 stores.

Sizes Unlimited was considered the off-pricer among the two chains. Atamanchuck expects to retain value price-points within the stores, though more moderate to better merchandise may be added.

Discounters have long led in sales for this market. In a study by Kurt Salmon Associates in 1989, discounters accounted for 29.4% of the market for women's full-figure sportswear, dresses and suits, by far the largest share of all distribution channels. Specialty stores came in second with 20.4% followed by department stores, chains—identified as JCPenney, Sears and Montgomery Ward, catalog/mail order and off-pricers.

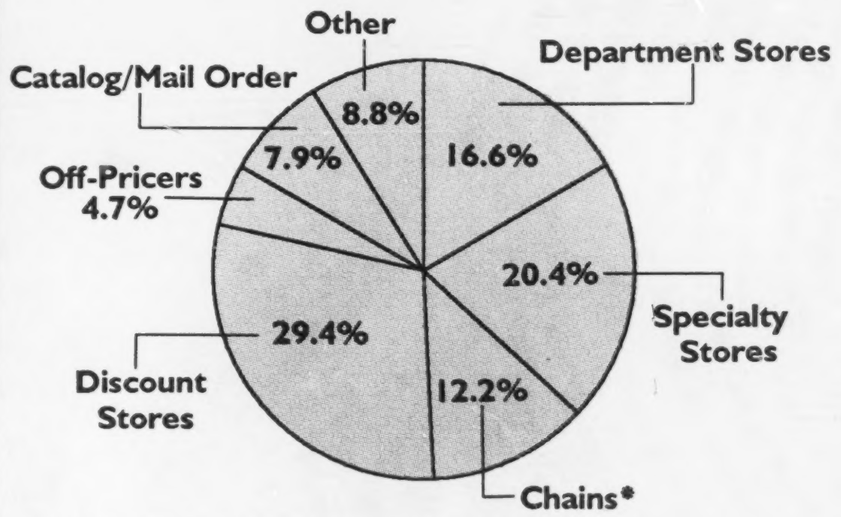
Discounters may find themselves with an even bigger piece of the pie if some manufacturers have their way.

Forrest envisions a Just My Size line of fleecewear merchandised with its pantyhose and undergarments. The company is a division of Sara Lee Corp., which also produces Hanes sweats. The three product lines could become the first branded store-within-a-store concept for a special size.

Forrest also noted that many of the discounters now carrying the lines in different departments are referencing the brand name. In the hosiery section, placards announce the availability of the bra and panty line in the lingerie or plus size area.

According to KSA's study, there is potential for big spending sprees in this group. The study reports that 38% of all large-size apparel is purchased by women in the lowest income levels (less than $20,000), which bodes well for discounters. More interesting is that 24% of all large size garments is purchased by women in the over $40,000 income level. This level is only 20% of U.S. households, however.

Share of Women's Large Size Market



**JCPenney, Sears & Montgomery Ward.*

Source: KSA/NPD Purchase Panel

MARKETWATCH

T.J. Maxx, Filene's Basement Lease Chicago Space

CHICAGO — Filene's Basement and T.J. Maxx both signed lease agreements for space at the One North State building, here. The space is located in one of Chicago's main shopping districts, near Marshall Fields and Carson Pirie Scott.

This is Filene's Basement's first foray into the Midwest. The off-price apparel retailer currently has stores in Massachusetts and New York. At this location, a development owned by The Tucker Cos., Filene's Basement will occupy about 55,000 square feet in the basement of the complex.

T.J. Maxx will occupy 45,000 square feet on the second floor. The company is based in Framingham, Mass.

Exquisite Form To Go No Nonsense

GREENSBORO, N.C. — Kayser-Roth Corp. has announced a new licensing agreement with Exquisite Form Industries for the production of a line of bras and control panties under Kayser-Roth's No Nonsense brand name. The line will be available in mid-1991, according to the company. Other brands made by Kayser-Roth include Calvin Klein and Burlington hosiery, and PrimaSport, PrimaNatural, Burlington, Levi's and SuppHose socks.

The firm also holds a licensing agreement with Alba-Waldensian, which manufactures a line of No Nonsense panties to be in discount stores in January.

Sarah Coventry Gets Silver Line

NEW YORK — Sarah Coventry granted a licensing agreement to Jaybee Industries to design, produce and distribute a line of sterling silver jewelry in the United States. A full line of sterling silver jewelry will be available in stores for spring '91. Betsy Kain, brand director for Sarah Coventry, noted that "sterling silver is a natural extension of the brand into the bridge department."

Goody's Family Opens 94th Unit

KNOXVILLE, Tenn. — Goody's Family Clothing recently opened its 94th store in Glasgow, Ky. The opening coincided with the expansion of two stores in Georgia and Tennesse. The LaFayette, Ga., unit went from 9,000 square feet to 20,400 feet. The LaFollette, Tenn., store went from 15,000 square feet to 19,500 square feet.

Bonneau To Take Over Foster Grant

LEONMINSTER, Mass. — Bonneau Co. announced that it will acquire all of the assets of the Foster Grant Co. Foster Grant had filed for Chapter 11 bankruptcy protection in August. The motion filed seeking approval for this sale included the Foster Grant trade name and its foreign subsidiaries. The sale should be completed by the end of this month.

Ruling Forces Sam's to Drop 'Wholesale' Name

(Continued from page 3)
ates 141 units and expects to end the year with about 148. (Wal-Mart has just agreed to buy The Wholesale Club, Indianapolis, Ind., for about $175 million, which gives it 28 more club units, plus two other Wholesale Clubs set to open this month in the Chicago market. See story, page 1.)

In Kansas City, Sam's calls its units Walton's Wholesale Clubs. Sam's Department Stores, now down to one discount store from three in 1987, has owned the trade name Sam's in the Kansas City market since its founding in 1957.

North Carolina began questioning the use of the word "wholesale" when Sam's opened its first unit in the Tar Heel State Aug. 24, 1988. Under state law, a concern must make at least 50% of its sales for resale in order to use wholesale in its name, said David Kirkman, an assistant attorney general for the Consumer Protection Section.

The attorney general warned Sam's that it was violating state law, states the court order filed July 18, but the chain persisted in using the word "wholesale."

A complaint from the Better Business Bureau of Northwest North Carolina prompted action, Kirkman said.

After investigation determined that Sam's collected retail sales tax on 85% to 89% of its dollar volume, exempting at most 15% from the sales tax, Consumer Protection filed suit against Sam's over its name this May, according to Kirkman.

Sam's North Carolina lawyer, John Murchison, argued in court that sales tax exemptions, [such as on food, napkins and paper cups that restaurants buy] made the retail figure misleading, Kirkman said, but Murchison offered no rebuttal figures.

Those exemptions could have increased the resale percentage, according to Kirkman, but nowhere near the 50% mark.

Because retailers are exempt from paying North Carolina sales tax on goods purchased for resale, the sales tax evidence convinced a Superior Court judge that Sam's was doing the preponderance of its business at retail, as state law defines it, Kirkman said.

Sales figures are privileged, Kirkman said, and none for Sam's in North Carolina were disclosed in court.

Sam's total sales in 1989 were $4.84 billion. It started the year with 105 stores and ended with 123. Volume in 1990 will hit $6.2 billion, analysts estimate.

The court ordered Sam's to drop wholesale from its name on July 19, effective a month later.

Murchison, Sam's North Carolina lawyer, was unavailable for comment.

A Sam's source said that the overwhelming majority of its sales are to business members. Much of the merchandise, such as office supplies and equipment, however, is purchased for use within the business, rather than for resale, and thus is taxable.

Changed Name Chainwide

Accordingly, Sam's was unable to fit the definition of a wholesaler under North Carolina law, the source said. For economy, Sam's changed its name chainwide, rather than have to make two different signs and print two different sets of membership materials.

The source refused to disclose the ratio of business to group member sales, but a 1989 Goldman Sachs research report on wholesale clubs estimated that 60% of Sam's sale volume was to business members.

For other clubs, the percentages were: Costco, 68%; Price Club, 65%, Wholesale Club, 62%; BJ's Wholesale, 60%; and Pace, 47%.

Tax experience in other states buttresses the conclusion that wholesale clubs as an industry sell a fairly small percentage of goods for resale.

In Washington, for example, Costco, Kirkland, Wash., and Price Savers, Salt Lake City, Utah, exempted 9.25% of their combined sales volume to businesses (not total volume), from the sales tax because the goods were purchased for resale, estimated Erling Johnson, an economist for the research division of the state Department of Revenue.

The Washington Department of Revenue separates wholesale club sales into wholesale and retail categories for tax purposes. Food is exempt from sales tax, both for consumers and businesses.

State law on tax confidentially precludes disclosure of individual sales figures within the state, Johnson said.

Jim Sinegal, chief executive officer of Costco, said the tax-exempt figure understates the picture, because food that restaurants buy, a major category, already is exempt. Including restaurant food, from 24% to 25% of Costco dollar wholesale volume is for resale goods, he estimated.

At the Warehouse Club, Skokie, Ill., about 20% of total sales, including food, to business members is for resale, estimated president Sherwin Deutchman. [In yet another warehouse club buyout, A&P has agreed to purchase 51% of the chain for $11 million. See story, page 1.]

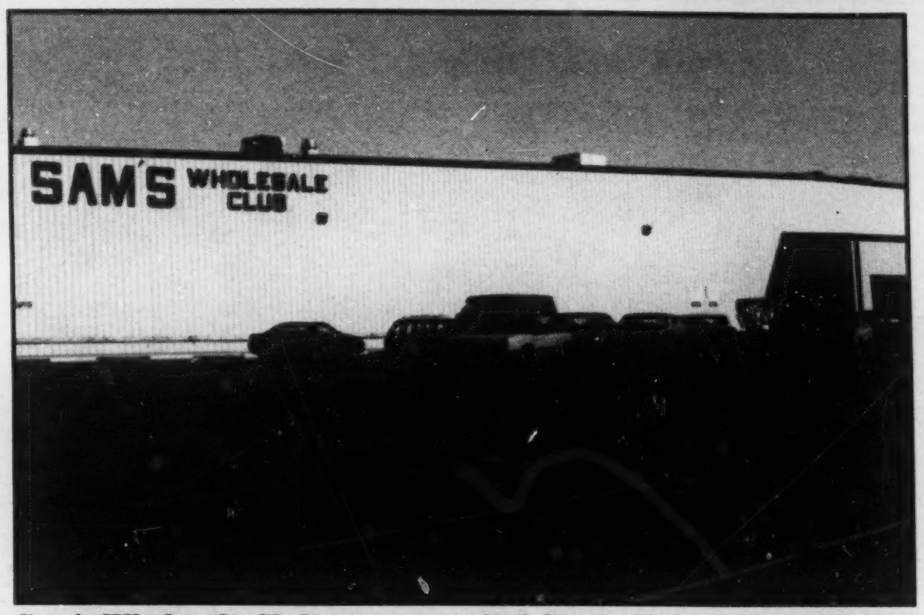
20% Exempt From Tax

In Indiana, approximately 20% of the total dollar volume of the stores of the Warehouse Club and The Wholesale Club are exempt from sales tax, estimated Mike Ralston, an analyst for the Department of Revenue.

The exempt figure for Sam's Club is unavailable, Ralston said, because its sales are lumped in with that of Wal-Mart under Indiana's tax filing system.

Tom Geiss, senior vice president of marketing for The Wholesale Club, said sales to business members fall within three categories: for internal business use; for resale; and, for personal use of business members.

"The explosive growth is coming in the category of internal business use," Geiss said, such as fax machines, personal computers, training



***Sam's Wholesale Clubs are** now called Sam's Clubs nationwide, but most existing store signs will not be changed.* (DSN photo)

VCRs and office supplies.

The resale category is more limited because a wholesale club can't compete with other conventional distributors on service or selection, Geiss explained, with the exception of certain types of merchandise such as food, cigarettes and candy.

A&P Joins the Club: Supermarket Catches Warehouse Club Fever

(Continued from page 1)
offer us growth potential through the next decade," Deutchman said. "They're a $12 billion corporation that has earned over $100 million yearly over the past three years."

According to Deutchman, Warehouse Club has built an experienced management team, particularly over the past year, when it added Dick Palmer, former executive vice president of the now-defunct American Wholesale Club and a Sam's Club manager, as director of operations; Don Costa, as regional director; Buddy Lee, as director of marketing; and Gene Wright, formerly of Makro, as general merchandise manager. Another key acquisition was Tim Fleming, senior soft goods buyer, who joined from Spiegal.

"It's not coincidental that the operations acquired recently all have strong, experienced management," Deutchman pointed out, a sentiment shared by many analysts, who have noted that there are a limited number of experienced, expert managers in the industry.

The result of the management build-up has been a company-wide refinement of merchandising, Deutchman said. Selections of office equipment, furniture, and soft home goods have been expanded greatly, with a concurrent consolidation of major appliances to make room. Food, too, has been sharpened, with fresh produce added and the probability of the addition of fresh meat and scratch bakeries.

"We're looking at both those areas, because we think they offer us growth potential in the future, particularly in light of A&P's expertise in the field," Deutchman said. "We're already seeing growth from fresh produce."

Michael Roarke, A&P's vice president of community and corporate affairs, noted that "60% of the Warehouse Club's sales are in food, and wholesale clubs have been a very successful store type from our perspective. We saw a chance to get involved inexpensively."

A&P also recently purchased 70 Miracle Mart Canadian combo stores, so the company's overall involvement in general merchandise is on the rise, Rourke added.

However, Rourke said that he doesn't see the warehouse club concept ever truly challenging the full service grocery store. "It's strong right now and has a lot of room for growth, but we don't see wholesale clubs dominating the industry," he said.

Although the Warehouse Club lost money in its most recent reporting period (about $720,000 on sales of $200 million for the nine months ended June 30), it has increased its membership rolls and dropped margins. "We have a 70% renewal rate and a new Silver Card, for those over 55, has been a hit since we introduced it this year," Deutchman said. The card sells for $15, compared to $25 for a regular membership, "which has been a good selling point for those on fixed incomes."

Sam's Captures Midwest Club Market

(Continued from page 1)
At the same time, the company has computerized all operations (including front- and back-end scanning), cut margins, increased membership at most units and, after years of building, turned profits in each of the past two years, with fiscal 1991 also expected to be profitable.

Little Club Overlap

Although both clubs compete in some markets, there is relatively little overlap. The Wholesale Club operates exclusively in the upper Midwest, with stores in Indiana, Illinois, Ohio, Wisconsin, Michigan and Minnesota.

Sam's, on the other hand, is strongest in the South and Southwest, where most of its 141 stores are located. It does operate stores in Ohio, but primarily in the Cincinnati area, while The Wholesale Club operates in the northern Ohio cities of Cleveland and Columbus.

Similarly, both operate in Indiana, Sam's in Evansville and The Wholesale Club in Indianapolis, Ft. Wayne and three other cities. In fact, the only true head-to-head competition is in the Chicago area, which both clubs entered recently, and in The Wholesale Club's headquarters city, Indianapolis, which Sam's recently entered.

Both clubs operate units of roughly 100,000 square feet, more or less the industry standard, so there should be no problem adapting Wholesale Club units to Sam's floor plans.

Even without the Wholesale Club acquisition, Sam's was expected to surpass Price as the largest membership warehouse chain this year.

The addition of The Wholesale Club's $700 million or so in annual sales should catapult Sam's to roughly $7.2 billion in sales for fiscal 1991. Price, which posted $5.3 billion in fiscal 1990, ended Sept. 2, will likely generate about $7 billion in fiscal 1991.

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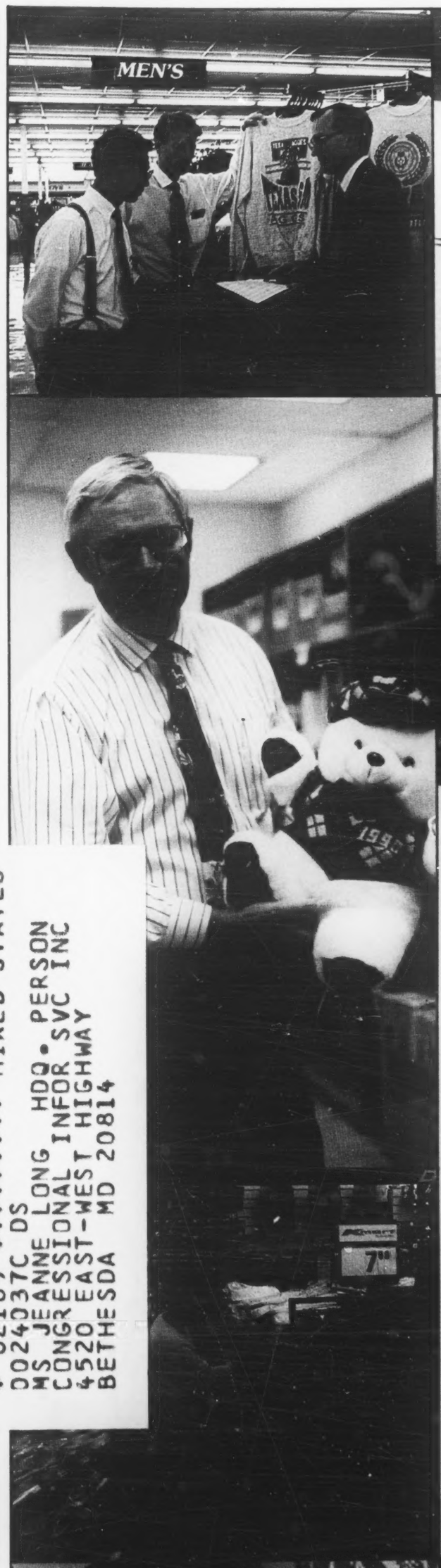

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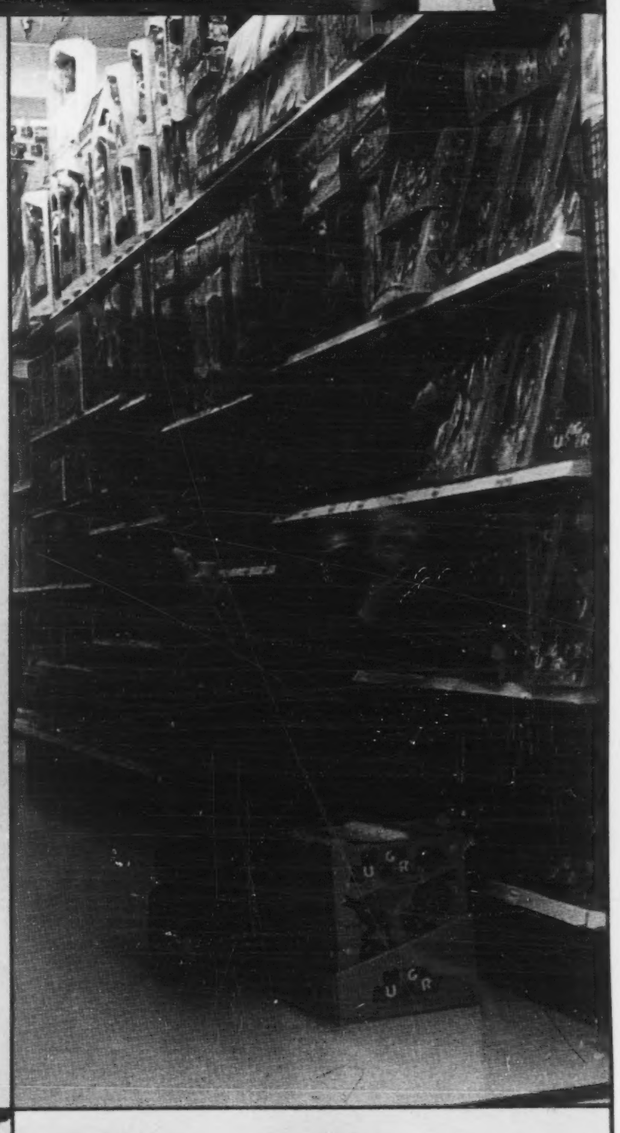

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Kmart celebrities Mario Andretti (l.) and Jaclyn Smith help ceo Joseph Antonini cut ribbon at new Long Island store. (DSN photo)

First L.I. Kmart Makes Debut in West Babylon

By Don Longo

WEST BABYLON, N.Y. — Kmart's new 105,000-square-foot West Babylon store, modeled after Kmart's Store of the '90s prototype, is the first of at least six additional discount stores Kmart plans to open on Long Island over the next 12 to 18 months. The next Long Island Kmart is expected to open in Sayville, N.Y., this spring.

The grand opening featured appearances by Kmart's key spokespersons (Jaclyn Smith for apparel, Martha Stewart for home fashions and the Andretti's for auto supplies), signaling the importance the chain places on what had been the only major U.S. market without a Kmart store.

Kmart chairman Joseph Antonini, who began his career with Kmart on Long Island working in a Kresge store, was optimistic about sales potential on Long Island, even though the local economy is currently in a downturn due to skyrocketing taxes, layoffs by the Island's biggest employer (Grumman Aerospace Corp.) and a depressed real estate market.

"There's no such thing as merchandising for a recession," said Antonini. "People will always buy product at a price."

(Continued on page 132)

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Nielsen Survey Reveals Key Depts. page 44

Sam's, Pace Square Off For Midwest Dominance

By Arthur Markowitz

CHICAGO — Once a membership warehouse desert, the Midwest has become a hot wholesale club market increasingly being dominated by Sam's Club.

The region's transformation is spurred by Wal-Mart's pending acquisition of The Wholesale Club for its Sam's arm and Pace Membership Warehouse's plans to further expand in the region. Pace will open six stores in Chicago—three next year—and its initial unit in St. Louis while adding another unit each in Cleveland and Detroit.

A&P's acquisition of a majority interest in the troubled 10-store Warehouse Club is another sign of the heightened interest in the region's membership warehouse operation. But unlike Wal-Mart's thrust to build the dominant franchise in the region, A&P's immediate focus is on learning about the food distribution side of the wholesale club business.

Even before the acquisition of the 29 Wholesale Clubs, Wal-Mart had quietly built a major membership warehouse presence in the Midwest with 33 Sam's in seven of the region's eight states. Almost all of these Sam's have been unveiled since 1987—and a growing number are twinned with a Wal-Mart discount store in a synergistic merchandising combination designed to overwhelm other retailers.

Wal-Mart Begins Northeast Thrust

See Story Page 6

In fact, seven of the 11 Sam's opened in the Midwest this year are paired with Wal-Marts, and overall, half of the 24 Sam's unveiled in

(Continued on page 141)

Goldberger Out, Hills Fate Unclear

By Laura Liebeck

CANTON, Mass. — Following a monumental management change last month that paints an uncertain future for Hills Department Stores, the 214-unit discounter remains deeply in debt but committed to previously announced plans designed to revitalize its bottom line.

Plans to open a new 104,000-square-foot prototype store next fall in Derry Township, Pa., are still alive and a new advertising campaign for the Christmas season that emphasizes the discounters great values is currently underway.

The fate of Hills now rests with Jack Brouillard, who on Nov. 26 succeeded Stephen A. Goldberger, the company's chairman and son of Hills' founder, Herbert "Hank" Goldberger.

Goldberger resigned to "pursue other opportunities," according to a Hills statement. Goldberger also resigned from the board, but retained his sizeable equity position.

Goldberger could not be reached for comment.

Brouillard, a man described by a company spokesman as "a true leader," had been the chain's executive vice president and chief financial officer prior to his recent appointment. He is now responsible for the chain's daily management. Thomas Lee, 46, Hills' largest shareholder, has assumed the ceo and board chairman positions. Both were elected by unanimous vote of the board of directors, the spokesman said.

Goldberger's resignation from his one-time family business caught some observers by surprise.

(Continued on page 142)

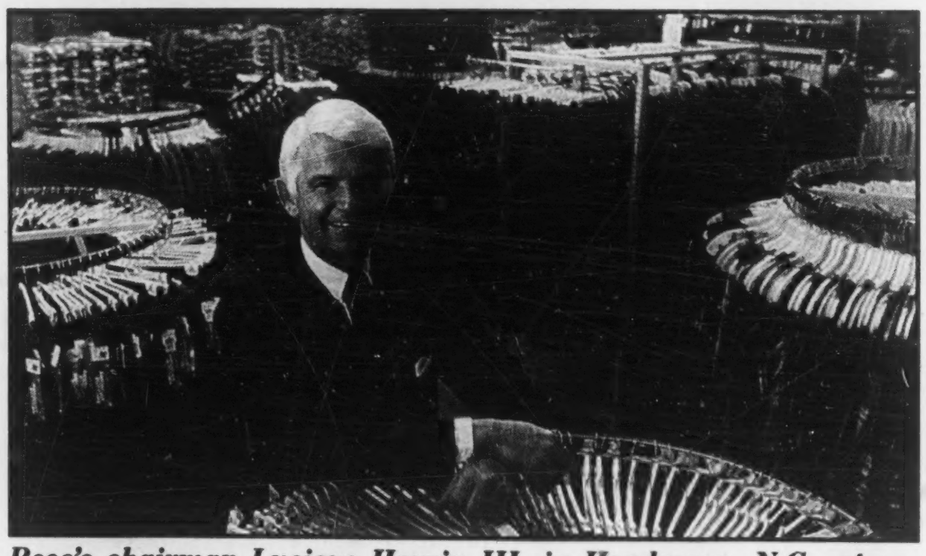
Rose's Loads Guns to Protect Turf

By Jill Lettich

HENDERSON, N.C. — With a newly refurbished headquarters store here and a recently opened state-of-the-art data center, Rose's Stores is fighting hard to maintain its foothold among Southeastern discounters.

With Southern-based Wal-Mart andNorthern-based Target becoming ever increasing threats in the region, Rose's has designed its flagship store and its new data center to serve as ammunition in the battle for market share; the store to upgrade the merchandising, and the data center to improve operating efficiency.

In a recent interview with *DSN*, chairman and chief executive officer of the 75-year-old retailer, Lucious Harvin III, admitted the need for improving merchandise turnover and was cautious about projecting growth for the chain. There is currently one store slated to open at the end of this month, at Tarboro, N.C. But the chain has no plans in place for further store openings or for additional refurbishments of all of Rose's 257 stores.



Rose's chairman Lucious Harvin III, in Henderson, N.C., store: *'We're trying our best to sell merchandise and offer value.'* (DSN photo)

(Continued on page 135)

MARKETWATCH

Stuarts Files Chapter 11

FRANKLIN, Mass. — Stuarts filed a voluntary petition for reorganization under Chapter 11 of the Federal Bankruptcy Code. The 23-store Northeast regional chain plans to continue its retail operations while formulating a plan. Stuarts previously announced on Nov. 12 that Shawmut Bank N.A. declined to make further advances under its credit agreement with Stuarts. The bank's action prompted the company's decision to file for bankruptcy.

Wal-Mart Eyes the Puerto Rican Market

SAN JUAN, P.R. — Wal-Mart has targeted Puerto Rico for its first stores outside of the United States and has been tracking Kmart markets on the island Commenwealth as sites for its initial units. Wal-Mart reportedly is eyeing Guayama and Juan Diaz, where Kmart is building stores, and the Plaza Del Caribe Mall in Vega Alta, which is due to be expanded. Vega Alta is near Vega Baja, where Kmart already has one of its 12 Puerto Rican stores. Kmart, which plans to open seven more units on the island by 1992, is pressing ahead with six warehouse Power Centers, each of which will house a Pace Membership Warehouse and a Builders Square home center.

Three Ex-Ames Go to Montgomery Ward

CHICAGO — Montgomery Ward has acquired three former Ames stores as sites for new units to open next year. Wards, which currently has 343 stores in 39 states, plans to relocate its Lakeland, Fla., unit to the ex-Ames in the Shops of Lakeland Mall, while the Bradenton, Fla., unit will be a new market.

Pace to Open 17 New Stores in 1991

AURORA, Colo. — Pace Membership Warehouse plans to open 17 new stores next year that include its cluster debut in two markets—Dallas (Arlington, Irving and Plano) and Chicago (Addison, Lansing and Tinley Park). Other new markets for the chain include St. Louis (Bridgeton); Albuquerque, N.M.; Rancho California, Calif.; Grand Rapids, Mich.; Jacksonville, Fla.; and Manchester, N.H. Paces in Rochester, N.Y.; Denver; Cleveland (Oakwood); Detroit (Waterford); and Waldorf, Md. will fill in current markets.

Jewelcor Sells Suburban Printing

WILKES-BARRE, Pa. — Jewelcor has sold its Suburban Printing subsidiary to Arden Press of Chicago as part of its Chapter 11 reorganization. But it faces a Jan. 31, 1991, deadline—agreed to by its key creditor, the First National Bank of Boston—to either sell its other businesses or find third-party financing for them; otherwise, its bankruptcy will revert to a Chapter 7 liquidation. Jewelcor chairman Seymour H. Holtzman and a number of other execs have bid for S.A. Peck, the firm's upscale jewelry store in Chicago, while undisclosed parties have made bids for its $60 million Gruen Watch operation and the Jewelcor Merchandising operation, now down to one showroom.

Pamida Ends Year with 177 Stores

OMAHA, Neb. — Since going public two months ago, Pamida has opened four new stores and replaced an existing unit for a year-end store count of 177 in 12 Midwest, North Central and Rocky Mountain States. All are built to its new prototype of 41,000 to 42,000 square feet.

Price Savers Bolsters Phoenix Effort

PHOENIX, Ariz. — Price Savers has opened its third wholesale club in the Greater Phoenix area to strengthen its market position as one of the industry's most competitive chains in mid-sized cities. There are now eight membership clubs in the market; Price Club has the other five.

BASF Buys AGFA-Gavaert's Division

BEDFORD, Mass. — BASF, a leading magnetic products supplier, has purchased AGFA-Gavaert's international magnetic tape division, effective Jan. 1, 1991.

Seventh Office Stop Opens for Business

WARWICK, R.I. — Office Products of America opened its first Office Stop here last month, the seventh unit in the chain. The 30,000-square-foot store will be followed by a store in neighboring Providence at a future date.

Sprouse Reitz Stores Sold

Sprouse Family Members Will Remain as Consultants

PORTLAND, Ore. — Sprouse Reitz Stores, a 271-unit general merchandise retailer based here, has been sold for roughly $22.9 million, equivalent to $16 per share, cash.

The new parent is SR Partners, Inc.—a joint venture among realtors TransAction Financial Corp., acquisition specialists First San Francisco Holdings, Ltd., and individual investors.

The purchase price could be increased to as much as $17 per share ($24.3 million) in the unlikely event that Sprouse-Reitz's downward-spiraling operating results take an upturn by the close of its fiscal year, Jan. 29, 1991. The merger is scheduled to take place sometime after the close of the fiscal year and before May 15, 1991.

Luis F. Solis, managing partner at First San Francisco Holdings Ltd., said that members of the Sprouse family—including president Robert Sprouse—will remain as consultants.

"We are currently assembling new management; a talented, knowledgable team is evolving," Solis said.

New management will not come from either First San Francisco or TransAction Financial, Solis added. Names of the new Sprouse executives were not yet disclosed.

Changes in the number of stores and retail strategy are likely, but not yet solidified, according to Solis. He refuted trade reports that store closings are likely in New Mexico and several other states. "I deny that any decisions of this kind have been made, but confirm that the company must take a look at its assets."

Solis said various retail formats—including

(Continued on page 135B)

CEO Spearheads Sky City Buyout

ASHEVILLE, N.C. — An investment group headed by Harvey Yellen, Sky City Stores' chief executive officer, has purchased the North Carolina-based discount store chain for an undisclosed amount from Interco, Inc.

The new owner, The Sky City Holdings Corp., includes a Hong Kong-based global trading firm called Asia Pacific Industries. Sky City generated sales of $140 million last year—up from $120 million during the previous year—but has been up against intense competition in its Southeast trading area from Wal-Mart, Rose's and other full-line discounters.

The infusion of capital from Asia Pacific Industries and other members of the holding company will allow for five new store openings in 1991—each conforming to the chain's new, 30,000-square-foot prototype size—plus the development of new corporate offices, a warehouse and a distribution center in its current headquarters city, Asheville, N.C.

Sky City is the first retail operation in which Asia Pacific Industries has invested, although it does have ownership in other non-retail U.S. firms.

John B. Owens, director of stores and operations with Sky City, said the 30,000-square-foot prototype was designed to serve small communities. Currently stores range in size from 51,000 square feet to 28,000 square feet. Also, Owens said the chain plans to increase the percentage of merchandise that is the result of opportunistic buys. Sky City opened its first test prototype last March.

(Con't. on p. 135B)

10 Wal-Marts to Open In 5 Northern States

By Arthur Markowitz

BENTONVILLE, Ark. — Wal-Mart, as expected, will start to invade the Northeast in force beginning next year as it opens at least 10 stores in five states.

The discounter will unveil units in Easton, Md.; Washington Township, N.J.; Greece and Henrietta, N.Y.; Hooksett, N.H., (in a former Ames); and Gettysburg, Harrisburg, Reading, Meadville and Bloomsburg, Pa. It already plans to follow up this initial thrust in 1992 with units in Derry, Somersworth, Amherst and

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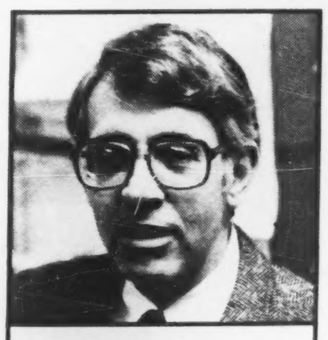
TAKING STOCK

Deming's Principals Drive New Kmart



ARTHUR MARKOWITZ
Senior Editor

The success of Kmart's Strategy for the '90s renewal program depends on management techniques that carry a "Made in Japan" label but are really an American product.

The originator of the management ideas, which have captured worldwide attention, is W. Edwards Deming, a name that has little meaning to most retailers.

The application of the ideas in retailing can be seen in Wal-Mart's management techniques and in the evolving new corporate culture at Kmart.

Deming's ideas, 16 management principals, were used during World War II to improve the quality of the nation's defense industry. Japan then picked up the ideas from the war's winner, while victorious American industry ignored them.

The essence of Deming's thinking, in today's computer terminology, is that front-loading is the key to quality and efficiency. It's better to cooperate and work together right from the start of any initiative than to have to go back and fix mistakes or solve problems.

While all of Deming's principals don't directly apply to retailing, we can look at some of Kmart's renewal efforts to appreciate those that do.

Deming's thinking: Management has to lead, instead of just giving orders, and it has to inform and educate employees, make them smarter, so that everyone is a part of the company and can contribute to its success.

Kmart's implementation of these principals includes chairman Joseph Antonini's interactive Dialog program on the Kmart Satellite Network, in which he communicates with employees and answers their live, phone-in questions. The Management Update program and special merchandising broadcasts, meanwhile, allow top merchandising and operational executives to discuss Kmart's strategies and even mundane but vital issues like how to set up and merchandise seasonal goods.

The bottom line: Kmart employees have a greater affinity with the company; they understand the "whys" of the retailer's strategy and feed back ideas to a listening management.

Deming's thinking: Create partnership with suppliers and help them improve their products so you get better goods and lower prices. Playing off suppliers against each other for lower prices only leads to poorer quality goods that drive away customers.

Kmart's commitment to QuickResponse (QR) embodies this idea. QR intrinsically demands a partnership between the retailer and its vendors. The exchange of information enables Kmart to maintain a better in-stock position to satisfy its shoppers. The suppliers gain through better allocation of their manufacturing resources to lower their costs and improve their products.

Deming's thinking: Continually improve your operation, rather than trying to take great leaps forward.

At Kmart, the everyday unfolding of its strategy is a great leap forward for the retailer.

Retailers Painting Bleak Picture About Nation's Economic Forecast

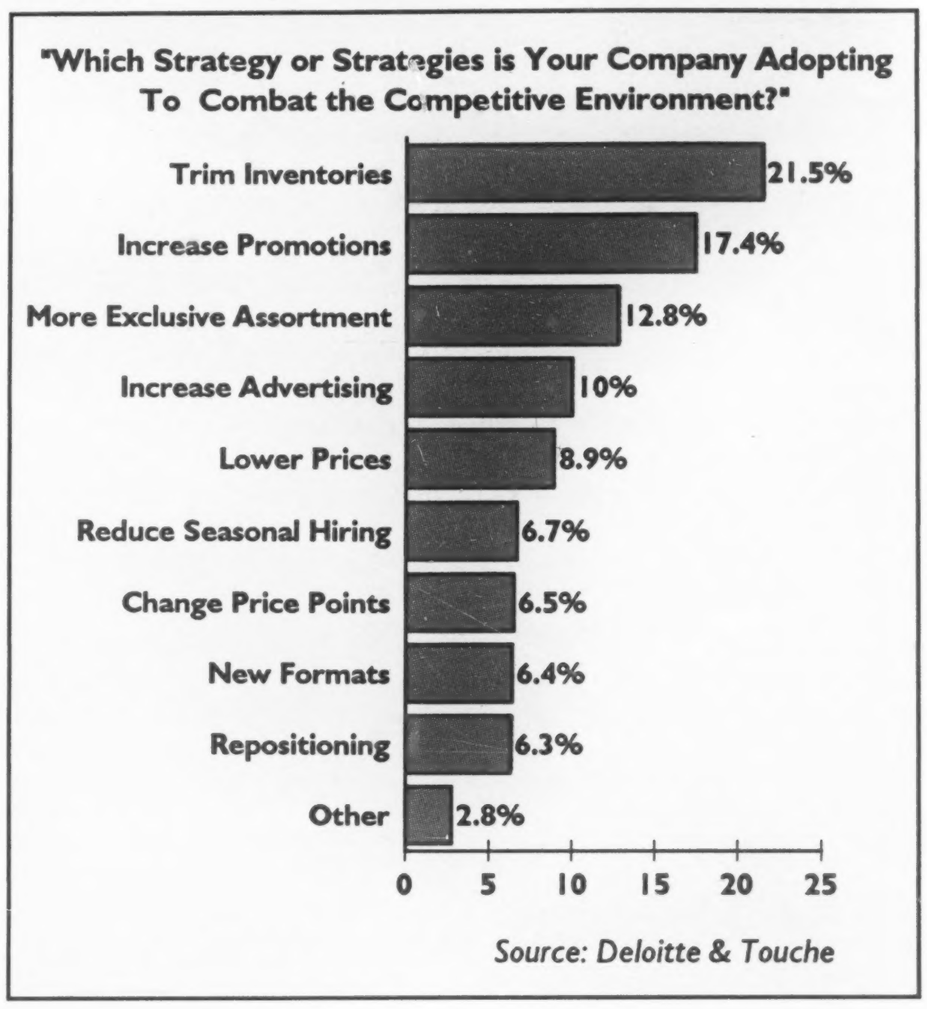
Nationwide DSN Report

Despite some economists' reluctance to use the word, retailers believe the country is in the throes of a recession and are convinced that things will get worse during the coming year.

Consumer spending was cited as the biggest concern, not just among retailers, but among all levels of the soft goods industry in a survey by Kurt Salmon Associates (KSA). In response, trimming inventories was cited most often by retailers as a necessary precaution given current economic conditions in another study conducted by Deloitte & Touche.

According to the survey by the retail services unit of Deloitte & Touche, the accounting and consulting firm, retailers are anticipating pressures on both sales and profits, especially as "they're up against increasingly demanding con-

(Continued on page 142)


"Which Strategy or Strategies is Your Company Adopting To Combat the Competitive Environment?"
Trim Inventories 21.5%
Increase Promotions 17.4%
More Exclusive Assortment 12.8%
Increase Advertising 10%
Lower Prices 8.9%
Reduce Seasonal Hiring 6.7%
Change Price Points 6.5%
New Formats 6.4%
Repositioning 6.3%
Other 2.8%
0 5 10 15 20 25
Source: Deloitte & Touche

For Easier Detection of Shoplifters:

Clover Tests Color Security TVs

PHILADELPHIA — To make it easier to collar shoplifters, Clover will test a color, as opposed to a conventional black and white, closed circuit TV (CCTV) system in a new store.

Clover expects that the color system will make it easier for floor security guards to locate a shoplifter that the CCTV cameras detect because observers will be able to describe them by the color of clothes they are wearing, said Tom Entenmann, director of asset protection.

"Sometimes it's hard to describe a suspect and you lose him," Entenmann said. But with a color system, the monitor room observer can radio to a guard on the floor to "look for a man wearing a blue shirt and tan pants," he said.

It will cost about $7,000 extra, or less than 10%, to equip the new Ralph's Corner store in Lansdale, Pa., set to open March 12. "If you pick out the wrong person, it could cost you a whole lot more than $7,000," Entenmann said.

Sensormatic, Deerfield Beach, Fla., is the vendor. When it approached Clover two years ago the cost differential was too high, about $20,000 more, Entenmann said.

As with any new technology, the price has come down. Clover will test the system "for a few months to see if it's worth the extra cost."

Entenmann said he has seen no studies that indicate whether a color system results in a better apprehension rate. "I can't predict that it will make a dramatic improvement," he said.

The Springfield, Pa., unit of Strawbridge & Clothier, Clover's department store parent, already has color, Entenmann said.

Each of 14 rotating surveillance domes will have a color TV camera and black & white monitor, Entenmann said. But when the observer spots suspicious activity, he can shift the picture to one of two color main monitors, he said.

Clover apparently is the first discount store to order a color CCTV system, said Lou Chiarra, director of marketing for Sensormatic, although department stores, including Strawbridge & Clothier, already have them.

Surveillance domes with color cameras cost about $300 more than black and white units, Chiarra said, while color monitors cost about $225 more than black and white.

Another advantage of color is that it provides more contrast than black and white, he said. In black and white, "things blend in and details can be lost," he said.

Chains also can order color CCTV with Sensormatic's system to observe checkout registers for collusion between customers and clerks, he said. Sensormatic calls its version POSEM, for Point of Sale Exception Monitor.

With color, it's easier to identify the products and the clerks and customers involved, Chiarra said. The color cameras can make out such personal features as complexion and hair and eye color, he said.

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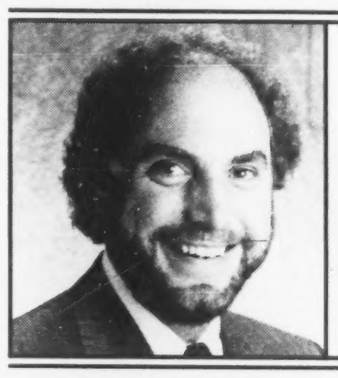
EDITORIAL

Kmart Shows Willingness to Change

Four years ago, *DSN* devoted its special year-end issue to Kmart. It was entitled "Kmart's Special Synergy: Solving the Growth Puzzle." In preparation for the extensive series of interviews conducted for this issue, I recently reread that December 1986 issue and I thought it would be both fun and informative to compare Kmart's past with its strategies for the '90s in several key areas including: corporate philosophy, executive management team, corporate culture, growth and expansion, technology, customer service, and merchandising and marketing.

• **Corporate strategy.** In 1986, diversification was the buzzword. It was, as you may recall, former chairman Bernard Fauber's "vision" during the '80s that steered Kmart into specialty retailing. In fact, Fauber once challenged then-president and heir-apparent Joe Antonini to try at least one new experiment every six months. In 1990, specialty retailing is still important, but the focus is on the core discount stores and the buzzword is "renewal."



TONY LISANTI
Editor

• **Management team.** Five of the eight officers and executive vps as of January 1987 are no longer with Kmart. And Larry Parkin, exec vp of warehouse and grocery operations, will be retiring next month. Only Antonini and Joe Thomas remain from that executive team. However, Antonini has assembled a talented cadre of new execs—a blend of insiders and outsiders—that he feels will aggressively execute the strategies of the '90s.

• **Corporate culture.** In the early and mid-'80s, Kmart, like Sears, was often described as a very conservative company mired in a web of bureaucracy. In 1990, there's a new esprit de corps that is both refreshing and required in order to execute Antonini's strategies for the '90s. Since Fauber's resignation, Antonini has emerged as a bona fide chairman and cheerleader, rallying and challenging not only his top executives but associates on all levels. Communicating Kmart's message is vital and Antonini has been in the forefront with extensive field trips, his Dialog show on KTV and his TV image spots for new openings. And, after interviewing over 20 executives and talking to other Kmart employees, it's obvious that a cultural transformation is taking place.

• **Growth and expansion.** In 1986, despite the focus on specialty concepts, Kmart was committed to opening anywhere from 20 to 35 new discount stores per year. While 207 stores were refurbished that year, the majority of the 2,100-store chain continued to age. Four years later, 85% of its stores were eight years and older, according to *DSN* estimates. As a result, Kmart embarked on a $2.3 billion modernization program scheduled for completion by 1995.

• **Technology.** In 1986, Kmart was not a leader in technology, but its goal was to install a POS/satellite system by 1991. Well, the discounter achieved its goal over a year ahead of schedule, and is now considered by many to be the most technologically advanced retailer in the industry. As you read this issue, you will understand the significance of this accomplishment and its impact on every aspect of operations.

• **Customer service.** In 1986, little was mentioned about customer service, although Fauber said he was "hung up on service and adamant about maintenance." In 1990, it is a major part of the new culture. The staff was expanded, a toll-free service number was added, and several new policies were developed as part of the Kmart Customer Care Network.

• **Merchandising.** Four years ago, Fauber's vision of what a Kmart store would be like in the 1990s included "more shops within a store, more name brands, and more sections such as Kitchen Corner . . ." Futhermore, Antonini had said, " . . . it's not necessarily product uniqueness that generates sales. It is every bit as much a question of presentation." Four years later, the result is just that—dominant lifestyle departments and a new prototype that emphasizes presentation and service.

• **Marketing.** In 1986, the focus was on a lifestyle, fashion image with more magazine and television ads. In 1990, that same lifestyle theme continues with, says Antonini, "less clutter and better presentation."

It's obvious that Kmart has changed, but so has the competition. The future looks bright, yet some uncertainty remains. Antonini has quickly made a lot of people believers in the Kmart of the '90s. However, Kmart's growth and profitability are dependent not only on its ability to execute its current programs quickly and efficiently but on its ability to continue to change and not become, once again, complacent.

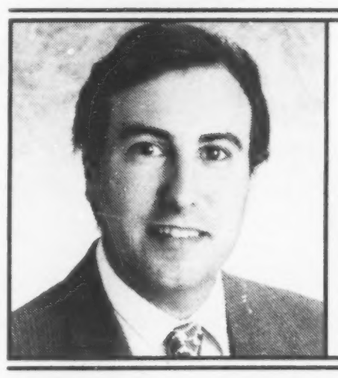
BUYERS & SELLERS

Well Joe, You Win; I'm a Kmart Shopper

Dear Joe:

You won the bet. I shopped Kmart. I don't make that statement like a closet Kmart shopper finally admitting my addiction to the discount store concept. I'm actually quite an avid discount store shopper. As a business reporter who travels frequently, I've dropped my share of hard-earned cash at discounters across the country.

Shopping at a discount store is not a novel experience for me. But, since I live on Long Island, my hometown choices have been pretty slim pickings. Until Caldor opened one of its new prototype stores near me, I could spend a full day going to different specialty discounters—Toys "R" Us for toys, The Wiz for electronics, Rockbottom for H&BA, Burlington Coat or Marshalls for apparel. Given the oppressive Long Island traffic situation, that was never a pleasant prospect.



DON LONGO
Exec Editor

Then, five months ago, at the press conference in Mineola when you announced Kmart's plans to invade Long Island, you assured me: "Everybody shops Kmart. Don, you'll shop Kmart, too."

Well, that evening after the press conference, I thought about your challenge. You would make me a Kmart shopper.

I thought about some of the trips I've taken; what I bought, and where: a knit Elliott Bay (private label) sports shirt at Target Greatland in Minneapolis; a Lee denim jacket at the VF Factory Outlet at Sawgrass Mills in Florida; Gitano tank tops and shorts at Wal-Mart in Charlotte, N.C.; bath towels at the old Gold Circle in West Palm Beach, Fla.; swim trunks at Kmart's American Fare hypermarket in Atlanta. In every case, I felt I was purchasing a quality product at a good price. For some reason, Kmart wasn't on my shopping list.

Until now. Going to the grand opening of your new Long Island store last month whetted my appetite. I had to pick up some Christmas presents anyway, so the following weekend I drove the 30 miles from my home to the newest Kmart and ended up walking out the door with $150 worth of bargains.

Now, I don't promise to make that 30-mile drive very often. But, I must tell you I was impressed with the new Kmart: The merchandise quality, assortment and store ambiance.

More impressive is the new spirit at Kmart. The message appears to have taken hold, and while the next year will be a tough one, I'm confident the seeds of the Kmart renewal effort will begin to bear fruit in 1992.

Happy holidays to you, your family and all the Kmart family. This was one bet I didn't mind losing.

P.S.—Earlier this year, I poked fun at the gloomy Wall Street analysts who were dumping on Kmart, and made several outlandish suggestions that you could take to satisfy them. It was the most widely-read column I wrote all year.

Unfortunately, some people took my suggestions too seriously. I'm glad you didn't replace apparel spokesperson Jaclyn Smith with Roseanne Barr. Her hit TV series notwithstanding, Barr probably ruined any shot she ever had of endorsing anyone's brand name with her raucous, crotch-grabbing rendition of the national anthem. Down-to-earth, family-oriented and admired, Jaclyn Smith has been very effective in helping to upgrade and differentiate Kmart's apparel offerings.

I can't resist closing this open letter with one final suggestion. I think you should seriously consider adding Bart Simpson to the Kmart family. As a spokeskid for children's wear and toys, I can imagine Bart saying: "I love Kmart, Man. Gotta problem with that?"

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Nielsen Survey Tracks Growth of 3 Key Depts.

By Jill Lettich

Discounters fine-tuned their merchandising strategies in 1989, which resulted in changes in the amount of space they allocated for H&BA, pharmacy and grocery departments.

In the Nielsen 1990 Review of Mass Merchandiser Trends, H&BA showed the largest growth, while the pharmacy and grocery departments both grew at a slower pace.

This second of a two-part report reviewing the findings of the Nielsen Marketing Research study focused on the changing pharmacy and grocery areas within discounters, and the role of service departments.

The study also analyzed the methods of advertising and in-store display merchandising used at mass merchants.

Part one of the study, reporting overall retail unit growth and the increase in the H&BA market specifically, was featured in the Nov. 26 issue of *DSN*.

Pharmacy departments at mass merchants continued a long-term growth trend in 1989 and increased by 2%. Of the 6,681 discounters on which Neilsen based its numbers, 2,688 featured prescription departments, the report concluded. In 1988 that number was 2,641.

The pharmacy department has continued to improve its numbers for the last five years. Over that time frame, the number of departments has increased by a healthy 6.7%. The biggest increase came in 1987, when discounters carrying prescription departments went from 2,458 to 2,688—an increase of 14%.

The Pacific and Central regions of the United States, which reported the most unit growth overall, also ranked high in terms of the growth of their pharmacy departments.

***Nielsen research** shows that H&BA registered the largest growth, while the pharmacy and grocery departments grew more slowly.* (DSN photo)

The results were consistent with the same two regions' performance in growth of H&BA departments as well.

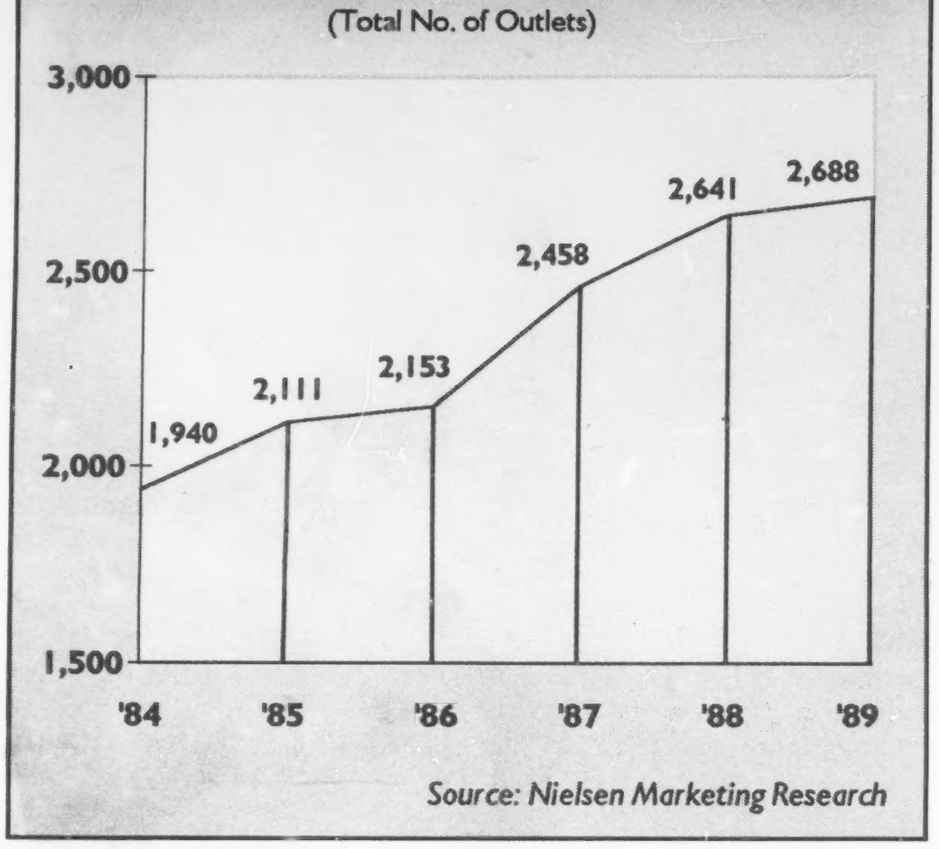
Both the Pacific and Central regions recorded increases in prescription departments of 5%. There was no change in the number of pharmacy departments for the South.

In the East, the number of units carrying prescription departments declined by 9%. It went from 133 units to only 121 mass merchant units featuring pharmacy departments.

The South has by far the largest concentration of mass merchant pharmacy departments. Of the total number of pharmacy departments, a full

(Continued on page 45)

Mass Merchant Outlets With Prescription Counters



Source: Nielsen Marketing Research

GEMINI Consumer Electronic Accessories
AUDIO·VIDEO·TELEPHONE
GEMINI Consumer Electronic Accessories
AUDIO·VIDEO·TELEPHONE
GEMINI Consu
AUDI

Shopper Conveniences Offered By Mass Merchants
(Percentage of Stores Offering)

Service	Total U.S.	Total Stores Less Than 60,000 sq.ft.	Total Stores More Than 60,000 sq.ft.
Sunday Shopping Hours	97%	97%	97%
Open 24 Hours/7 Days	2	*	4
Sells Lotto Tickets	10	8	12
Uses Paper Bags	58	59	56
Uses Plastic Bags	76	80	71
Individual Item Price Labeling	85	93	77
Price Comparison Labeling	16	9	25
Credit Card Accepted	95	97	93
Debit Card	3	1	6
Automatic Teller Machine/In-Store	5	5	6
Home Delivery	2	2	2
Home Delivery Charge	2	2	2
Location in Shopping Center	71	76	65
Customer Service Department	87	90	85
Service Banking	2	2	3
U.S. Post Office	3	2	4
UPS/Other Private Mail Carrier	1	1	1
Optical Department	4	2	7
Tax Consultation	1	*	2
Sells Fast Food	23	24	23
Offers Sit-Down Eating	49	36	63
Magazine Center	14	12	16
Film Developing Department	78	76	80
Pre-Recorded Tape Rentals	21	16	27
Stock Generic Items	14	NA	13
Stock in Single Location	3	NA	4

*—Less than 1%.
NA—Not available

Source: Nielsen Marketing Research

Nielsen Research Cites Regional Differences

(Continued from page 44)

52.4% are in this region.

Although there are 1,223 pharmacy departments located in Southern discounters, the region did show a slight decline from 1988, when 1,229 Southern discount stores had prescription counters.

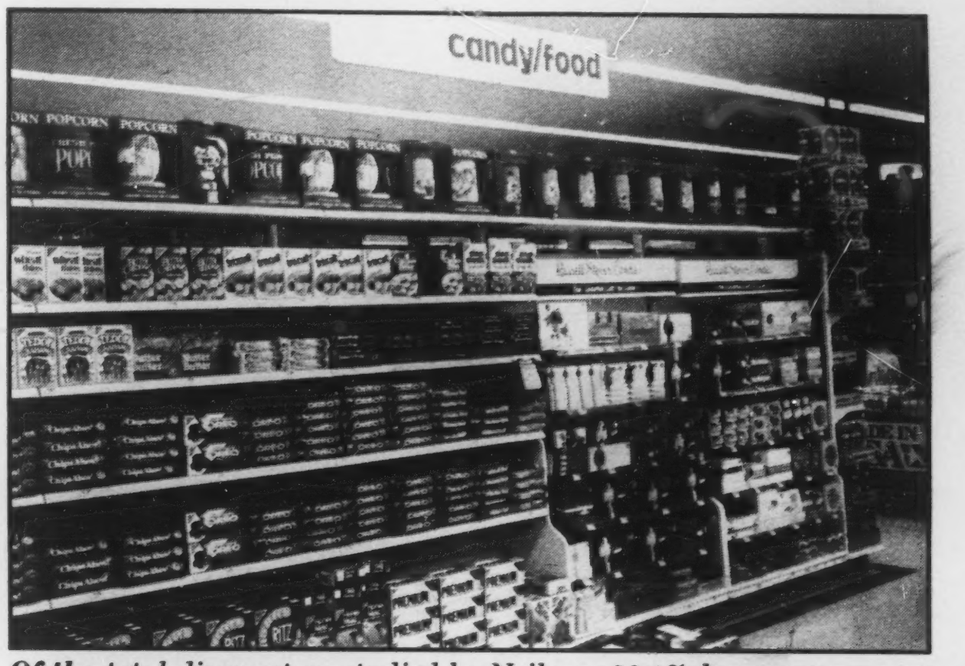
The Central region was second in number of pharmacy counters, accounting for 45.1% of departments.

Despite being second in rank, the Central region has been the most consistent in terms of growth of the pharmacy area. An analysis of the department in the last five years showed an increase from 880 pharmacy departments in 1984 to 1,114 departments in 1989.

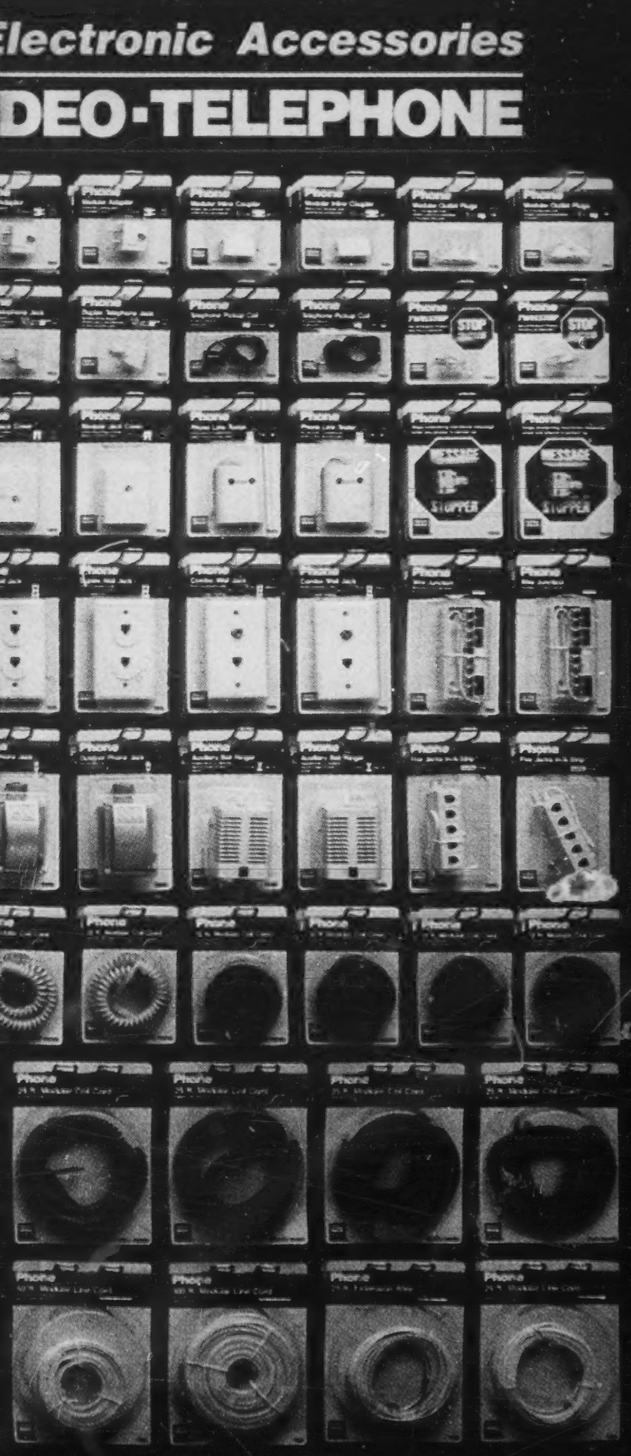
The Pacific region accounted for 38.6% of the pharmacy units in the mass market. The East accounted for only 9% of the total.

For grocery departments,

(Continued on page 46)



***Of the** total discounters studied by Neilsen, 83.4% have grocery sections in general merchandise areas.* (DSN photo)



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Study Shows New Emphasis On Special Services

(Continued from page 45)

1989 also marked a year of increases. That segment had been showing steady growth since 1985, but in 1988, the number of mass merchant outlets with grocery store operations remained the same and in 1989 it increased by only 2%.

While overall growth and growth in the pharmacy and grocery areas all registered at 2%, the increases at each level mean very different things in terms of overall trends.

The 2% growth in pharmacy departments showed continued growth. But in the grocery area, it meant a slowdown after consistent increases in unit numbers since 1985.

Nielsen attributed the change in status of the grocery area to hypermarkets and warehouse clubs, which are now luring more food shoppers.

In addition to the sheer numbers, the way mass merchants handle the grocery area has also changed.

Not surprisingly, the largest-growing segment of mass merchants was one with no special grocery section. This segment grew by 25%, with fewer discounters devoting a specific area to groceries.

Discounters with grocery sections in general merchandise areas decreased by 2%. Discounters with complete grocery store operations increased by only one unit number. In 1988 there were 175 discount units with full grocery operations. In 1989 there were 176.

While the grocery department may not be growing by leaps and bounds, food continues to be an area of importance for mass merchants. Of the total discounters studied by Neilsen, 83.4% have grocery sections in general merchandise areas. This is a slight decrease from 1988, when 86% of all discount retailers featured some groceries.

Neilsen's study of general merchandise linear measurements showed that toys and games took up the most general merchandise space in the average store. Soft goods, greeting cards, lawn/garden products and plants also occupied sizable floor space.

Regional variations did exist. Central stores allotted more general merchandise space for sewing notions, glass and tableware, and books.

Pacific stores allocated about 639 linear feet for stationery and school supplies, while the Eastern stores only allocated 288 linear feet for the same products.

In addition, the Southern stores devoted 1,181 linear feet to lawn/garden products and plants. This was nearly four times the space allotted for such items at the average Eastern store.

Whatever the product, Neilsen found that the average mass merchandiser store had about 141 in-store displays. General merchandise accounted for most of the display space, with non-food displays second and H&BA displays third.

Overall, Southern stores used the most displays (166 per store), while Eastern stores used the least (113).

Nationwide, 95% of all mass merchandise outlets featured end-aisle displays. In the Eastern and Pacific regions, the practice was universal. H&BA and general merchandise appeared most often in end-aisle displays, according to Neilsen.

As the importance of various departments shifted in regions and individual stores, one aspect of the mass merchant operations has been given new emphasis—special store services.

The Nielsen report showed that the Pacific region was ahead of the pack in terms of offering service convenience. More than 34% of Pacific region units featured automatic teller machines in-store. This far outpaced any other region in offering this type of service. The same percentage also offered service banking to their customers.

All Pacific region stores were open on Sundays. Though a common practice, it was not universal in other regions. Pacific stores also led in selling lottery tickets, providing optical services, home delivery, video rentals and film developing.

Despite spearheading these service efforts, the Pacific region recorded the lowest percentage of customer service departments. Only 72% of Pacific stores had customer service departments.

By contrast, 95% of all Central stores featured that department. In the East, 89% of stores had customer service departments; in the South, 82% did.

When it comes to tooting their own horns, mass merchants in the Pacific region seemed to be the most technologically advanced.

The use of radio and television was most common in the Pacific region, where 92% of mass merchandise outlets run radio ads and 90% run television ads. In-store video advertising has become widespread in the Pacific region as well, but is just beginning to take hold elsewhere.

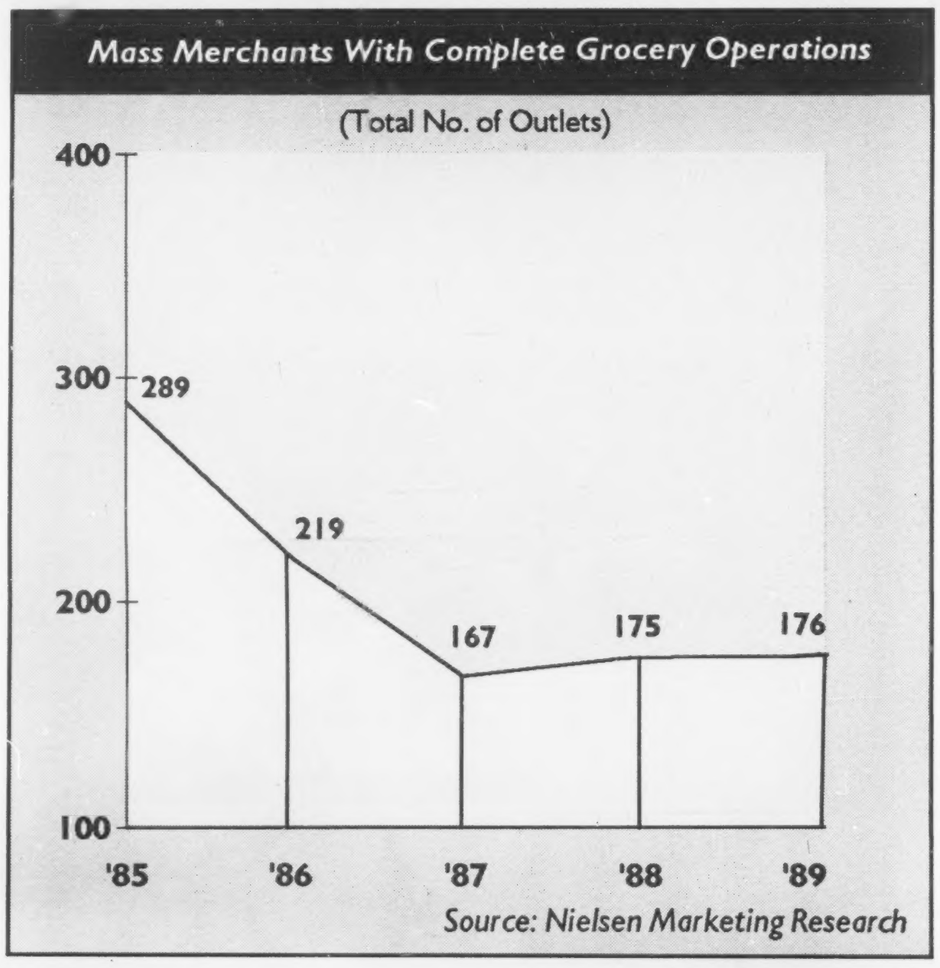
A high percentage of Eastern stores distributed in-store fliers and used in-store audio advertising. Direct mail was most prevalent in the South and Pacific areas.

Local newspaper advertising, the most popular form of advertising overall, was favored most by the Central region stores.

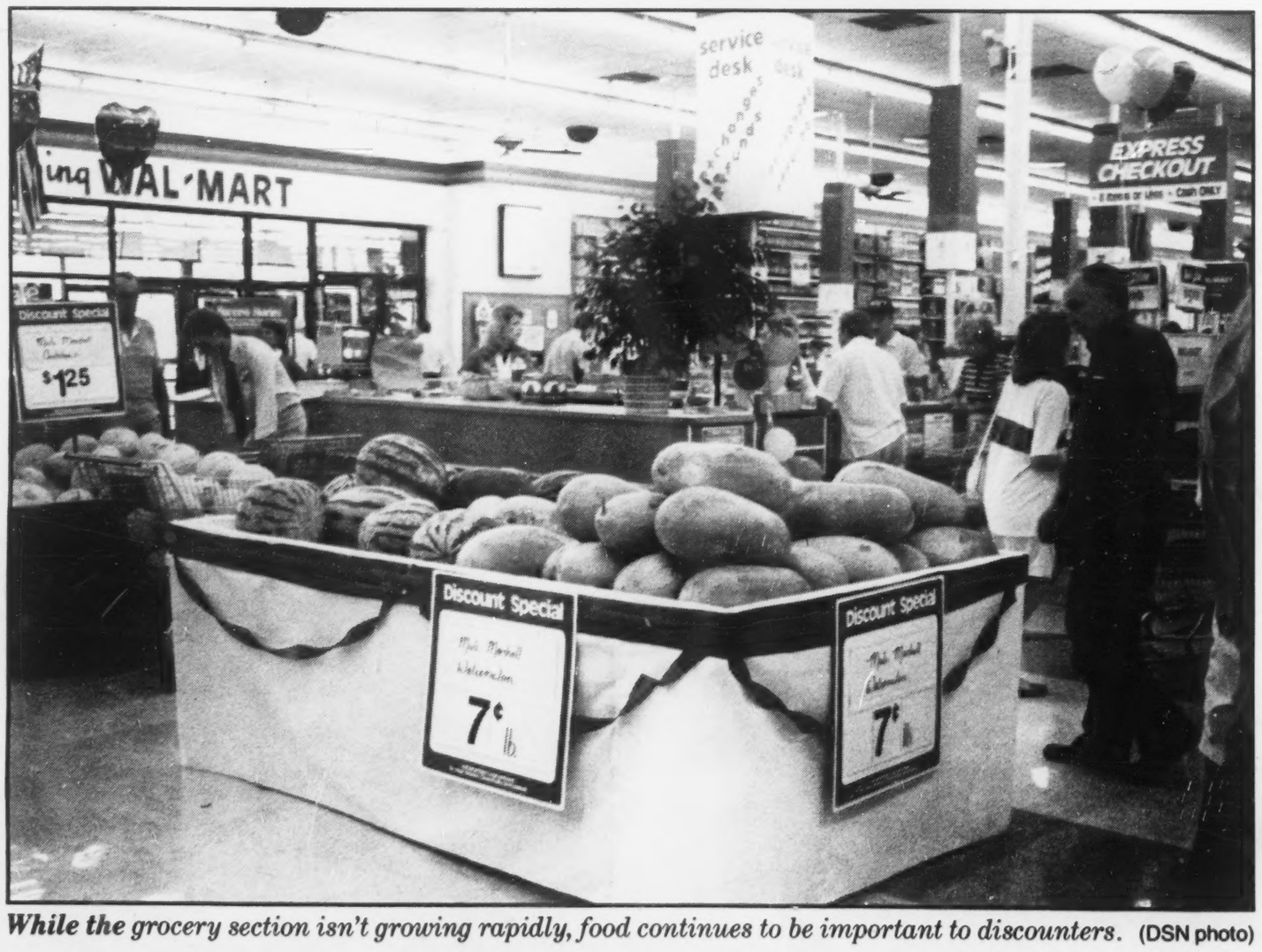
Mass Merchandisers With End-Aisle Merchandising Displays
(Percentage of Stores Offering)

	Total U.S.	East	Central	South	Pacific
All Product Displays	95%	100%	95%	92%	100%
Dry Grocery Displays	67	48	72	75	63
Refrigerated Food Displays	2	*	5	*	4
H&BA Displays	94	100	93	91	100
General Merchandise Displays	93	97	93	91	100
Frozen Food Displays	3	*	7	*	4
Non-Food Displays	90	17	86	92	72
Other Displays/Combinations	64	32	56	66	40

* Less than 1%. Source: Nielsen Marketing Research



While overall growth and growth in pharmacy and grocery areas all registered at 2%, the increases at each level mean very different things in terms of overall trends. The 2% growth in pharmacy departments showed continued growth. But in the grocery area, it meant a slowdown after consistent increases.



***While the** grocery section isn't growing rapidly, food continues to be important to discounters.* (DSN photo)

The Nielsen study attributed the change in status of the grocery area to hypermarkets and warehouse clubs, which are now luring more food shoppers. In addition to the sheer numbers, the way mass merchants handle the grocery area has also changed. Fewer discounters are devoting a specific area to groceries.

Sam's, Pace Square Off For Midwest Dominance

(Continued from page 5)
1990 are combined with Wal-Marts. (In other locations, the Sam's may be separated from Wal-Mart by a grove of trees as in Gainsville, Fla., or a mall parking lot as in York, Pa., or be within a mile's drive as in Duluth, Ga.; El Paso, Texas; or Panama City, Fla.)

Apart from the Wal-Mart and A&P moves, the region is also being eyed by the Price Club, which has already opened two stores on the fringe of the market in Denver, with a third due next year. But Price Club's expansion into the Midwest is likely to be much slower and more measured than Sam's explosive growth to 147 clubs at the end of 1991.

The 56-unit Price Club's current expansion focuses on strengthening its California base—which is likely to be invaded by Sam's in 1991—and augmenting its presence in the Northeast, the other hot regional market being fought over by the industry's five major players—Price Club, Sam's, Pace, Costco and BJ's Wholesale Club.

Costco had opened two clubs in Minneapolis and one in Milwaukee but closed them after 18 months in May 1988, when the units failed to meet sales and earnings goals. While the company hasn't written off the Midwest, it doesn't have any current plans to return to the region.

BJ's Midwest presence is limited to four units in Chicago—the most recent opened in September—and one in Toledo, Ohio. Chicago is BJ's weakest market, a reflection of the growing wholesale club competition there, while Sam's and Pace also have stores in Toledo.

The industry's explosive expansion in the Midwest reflects a key change in the attitude of small businesses to membership wholesale clubs. In the past, small businessmen had purchased goods from their wholesalers and they remained loyal to those suppliers when the clubs first entered the Midwest.

But over time, the clubs' sharper pricing attracted growing numbers of businessmen till finally within the past few years, membership warehouses became the accepted source, one knowledgeable industry executive explained.

The growing acceptance of clubs is behind Wal-Mart's pending acquisition of the Wholesale Club and its subsequent melding into Sam's. Trade observers said that the resulting network of at least 62 Sam's could cause other membership warehouses to reconsider any plans they may have about either entering or expanding their presence in the region. It could even force other wholesale clubs to exit the region as Sam's backfills markets.

Sam's stores have been encircling the Wholesale Club in many markets and this was a key factor behind the two companies making the deal. The greater Chicago market is a prime illustration of Sam's encirclement of key markets staked out by the Wholesale Club and the base of stores that the combined operation is establishing as a potential barrier to other membership warehouses.

The market has also become the precursor of Wal-Mart's drive to dominate the business in an area by twinning its discount store and membership warehouse operations.

The Wholesale Club entered the Windy City and Illinois as a brand new market last month, opening in unusual sites to attract attention for its 120,000-square-foot stores. But Sam's move into the market was just part of its mushrooming expansion in the state, where it already had units in the Southern and Central Illinois.

One Wholesale Club opened in downtown Chicago in a building constructed on top of the 600,000-square-foot South Loop Marketplace, itself a converted Soo Line railroad terminal. Other tenants in the building are retail, wholesale, office and manufacturing businesses.

The other occupied part of the 650,000-square-foot Hawthorne Works in Cicero, Ill., which is a converted factory building. The remaining space is being leased to other businesses.

The two stores, and a third set to open next year as a freestanding club in Evanston, Ill., were part of The Wholesale Club's drive to cluster its divisions in major Midwestern markets.

The membership warehouse earlier in the year opened its fourth store in Indianapolis, its home base, while it has clusters in Cleveland and Minneapolis, three each, and St. Paul, Minn., Columbus, Ohio, and Milwaukee, two each. The club opened in Niles, Ohio, was the second unit in the greater Youngstown area.

Pace will follow a similar cluster plan when it opens units in the Chicago suburbs of Addison, Lansing and Tinley Park next year. But the trio, and the three additional clubs due to open in subsequent years, will face at least 10 Sam's (and former Wholesale Clubs).

Pace is also expanding its Detroit cluster to six clubs with a unit in Waterford, Mich., while a store in Oakwood, Ohio, will give it three units in the Cleveland market.

The Warehouse Club is the only other membership warehouse in Detroit, but Pace faces the Wholesale Club in Cleveland and Sam's in Flint, Mich., Omaha, Neb., and Des Moines, Iowa. The Sam's-Wholesale Club merger means stiffer competition for Pace as it tries to grow in the Midwest.

The Wholesale Club entered Chicago—previously home to eight stores run by three membership warehouse chains—because it is the largest market in the Upper Midwest, where the company had all its 25 units.

Sam's, however, entered the market in 1989 with clubs in Joilet and Rockford, Ill., on the fringe of the Chicago market. This year, Sam's planted stores in four suburbs: Naperville, Streamwood and Matteson, Ill., and Merrillville, Ind.

The combination of 10 Sam's (and ex-Wholesale Club) units overwhelms the presence of BJ's and Warehouse Club in Chicago. Except for the Streamwood location, the new Sam's are combo stores with Wal-Mart, which just magnifies the drawing power of the sites.

The Sam's-Wal-Mart combo sites mark a major new development in the industry. In other regions, wholesale clubs have had to compete with other stand alone membership warehouses. In the Midwest—and especially in the Greater Chicago area—the combination of stores presents a new marketing challenge to other membership warehouses.

How BJ's, the Warehouse Club and Pace face this challenge could determine the future direction and makeup of the industry in the Midwest and even nationally.

Six Units Set In Sam's '91 Expansion

BENTONVILLE, Ark. — Sam's Club is already set to open two more stores in the Midwest as its strives to dominate the wholesale club business in the region.

A Sam's will open next month in Franklin, Wis., in combination with a Wal-Mart discount store while a Sam's is due to open later in the year in Burlington, Ohio.

The two Sam's are among six already on the chain's schedule of new stores for 1991. The other four mark the chain entrance into Florida's Gold Coast with clubs in Pompano Beach, Boynton Beach, Miramar and West Palm Beach.

Number of Stores (At End of Year)

	Sam's Club				Wholesale Club			
States	**1987**	**1988**	**1989**	**1990**	**1987**	**1988**	**1989**	**1990**
Illinois	2	4	4	8	0	0	0	2
Indiana	1	1	2	6	4	5	5	6
Iowa	0	0	1	2	0	0	0	0
Michigan	0	0	2	2	0	0	2	2
Minnesota	0	0	0	0	4	5	6	6
Missouri	3	6	7	8	0	0	0	0
Ohio	0	2	4	4	6	7	8	9
Wisconsin	0	1	2	3	1	1	2	4
Total	**6**	**14**	**22**	**33**	**15**	**18**	**23**	**29**

Source. DSN research

CNC Seeks New Buyer for Ailing Child World

Trefoil Capitol Acquisition Falls Through

(Continued from page 7)
expansion and refurbishment. It also was very enthusiastic about the chain's new prototype, whose features include wider aisles, more open spaces and less inventory than most of the units in the chain, because it distinguished Child World from Toys "R" Us, the industry heavyweight.

Apparently there is interest in the beleaguered chain, but no prospective buyers have been identified.

Child World's third quarter results paint a picture of a financially troubled company.

For the period ended Nov. 3, Child World posted a net loss of $14.4 million, or $1.26 per share, up from a net loss of $4.1 million a year ago. Sales for the period totaled $185.6 million, an increase of 18% over the year-earlier quarter. For nine months, the toy chain recorded a net loss of $30.3 million, more than double the 1989 net loss for the same period, on sales of $466.5 million, an increase of 9.6% over the year-earlier period.

Child World attributed the increased net loss to a reduction in the estimated effective tax rate, lower gross margins from more sales and advertising costs, and higher expenses from new stores.

According to a spokesman for Trefoil, the California-based investment company decided to cancel its purchase of the chain after a prolonged examination of Child World's finances.

Trefoil was going to acquire Child World in a two-step process that included assuming CNC Holdings 82% equity in the chain in a non-cash transaction plus pay $14 a share for the 18% held in public hands.

Even during the height of Child World's stock price this year, its paper never traded above $12 a share, causing retail analysts to question the viability of the sale. Upon word of Trefoil's withdrawal from the deal, at about the time it was to be completed (Nov. 23), the toy chain's stock price plummeted. It now trades at about $3 per share.

In an effort to save the company from further decline, Child World announced a plan on Dec. 4 that was intended to conserve cash during the holiday gift-giving season.

Seek 'Normal Trade Terms'

Child World said that it would continue paying interest on its loans, but not the principal, on merchandise orders placed between Dec. 5 and Jan. 15, and would seek "normal trade terms" after that date.

The toy chain also announced that it suspended, through Jan. 15, principal payments on its working capital line and was negotiating for an extension of its working capital line until 1992.

Child World said that the plan would put vendors and lenders on an even footing and provide the chain with much-needed cash for the Christmas season, the period when it records half its annual sales and all of its yearly profit.

Published reports quoted Jeffrey Cole, chairman of CNC Holdings, saying that the announced measures should help the chain avoid a Chapter 11 bankruptcy filing.

The moves, however, will mean the chain will have to take "a substantial loss" for the fourth quarter and the year.

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Vol. 29, No. 23 December 17, 1990

Economic Picture Bleak for Nation's Retailers

(Continued from page 8)
sumers seeking price, value and service."

In its Soft Goods Outlook for 1991, KSA, retail consultants, also anticipated a decline in same store sales for retailers, and downturns for apparel and textiles manufacturers.

Amidst the gloom there are bright spots for discounters and for the soft goods market.

KSA reported that discount stores have increased their percentage as a channel of distribution for apparel. For overall apparel purchases, retailers account for 18.8% of the market. In children's wear, discounters captured 32.5% of apparel dollar expenditures.

KSA also reported that what it calls minor channels of distribution—off-pricers, factory outlets, mail order and others—account for 22.2% of apparel purchases. Added together, these categories are 41% of the market.

KSA went on to report that consumer buying is bound to gravitate even more to those segments, and that any "real gains in sales will come at the expense of other retailers."

The concept of "first in—first out," may also bring good news for soft goods retailers. According to KSA, that is the pattern soft goods tend to follow in a recession. Soft goods were the first to feel the recession's pinch. Conversely, soft goods should be the first to recover. As consumers' confidence rises, it will be easier to buy smaller ticket items.

Retailers across the board also point to other concerns. Ranking high were maintaining margins, overstoring and higher prices.

The Deloitte & Touche study noted that just over 70% of all respondents said things would get worse in the coming year. An optimistic few, 5.4%, expect things will improve.

Deloitte & Touche also broke down the figures by regions. Retailers in the Northeast are the most pessimistic, with 90% agreeing there is an economic recession.

All regions expect things to get worse in 1991—74% in the Northeast, 72% in the Western region, 69% in the Midwest and 68% in the South.

Local economic conditions, declining consumer confidence and retail competition are the leading factors likely to impact business during the coming year, the study found.

Northeast retailers are more pessimistic than other regions, with 22% projecting sales to be flat and 43% expecting a decline. In comparison, 23% to 35% of retailers in the South, Midwest and Western regions expect declining sales.

The biggest issues facing Northeast retailers in the new year are their local economies and declining consumer confidence. A combined 97% of these respondents said their local areas' economy would have a moderate to major impact on their businesses. Nearly 88% pointed to lower consumer confidence as an increasing problem.

Factors affecting the South and Midwest include local economies, interest rates, competition and labor costs. For the West, competitive elements and labor costs are tied as the most pressing problems, followed by the local economies.

To combat some of the problems, 21.5% of retailers are trimming inventories. Following closely were 17.4% who said they will increase promotions; and 12.8% said they plan to offer a more exclusive merchandise assortment.

In comparing merchandising game plans to last year, most Northeastern and Western retailers said they are buying closer to the selling season. According to the survey, this is also the case of most Southern merchants, although an equal number of Southern retailers reported no change in merchandise plans.

The highest rated strategy response in the Midwest was changing assortments of goods.

Although labor costs were fifth on the list of problems faced by retailers, close to one-quarter of all respondents said they plan to provide incentive/bonus programs in order to attract and maintain qualified sales personnel. Regionally, the Northeast and West had the highest number of respondents who provided incentives.

In the South, the highest number of respondents said there was no change in operating procedure, but provisions of incentive/bonus plans and wage increases got significantly strong responses.

The Midwest was undecided, with equal numbers saying there was no change and others that implemented some incentive programs.

The Deloitte & Touche survey represented 1,262 retailers in all retail categories with annual sales volume ranging from $1 million to more than $200 million, with store locations up to 500 or more.

The study included 221 firms, retailers and manufacturers, in all segments of the soft goods market.

Wal-Mart to Open 10 Units

(Continued from page 6)
Seabrook, N.H., and another in the Harrisburg market.

Wal-Mart is looking for a site for a distribution center somewhere in New England to support its stores in that portion of the Northeast region. A DC generally services 150 stores. Another DC would be used for the Middle Atlantic states' part of the region.

If Wal-Mart follows previous expansion plans, this handful of stores will explode to a few hundred units in the Northeast by mid-1990. The Northeast was the last region tapped by Wal-Mart, which entered the West Coast this year and plans to have over 100 stores in California within a few years.

Wal-Mart's punch into the Northeast comes on the heels of financial difficulties at a number of discounters there.

S.E. Nichols, in Chapter 11, has switched to a deep discount drug store format from a full-line discounter, while Jamesway is skipping its current dividend payment as its bottom line turns red. Ames also is in Chapter 11, while Stuarts said it could take the same step. Bradlees is under pressure to raise its earnings to help its parent Stop and Shop offset a costly leveraged buyout and the discounter could be sold to raise funds to reduce the LBO debt.

Wal-Mart's first probe into the Northeast occurred this year as it unveiled a store in York, Pa., with a unit in State College, Pa., due to be opened by the end of the current fiscal year in January.

A related move on the fringe of the region also took place this year as Wal-Mart opened stores in the Mechanicsville and Colonial Heights suburbs of Richmond, Va. Units are due to open in 1991 in that city's Short Pump and Chesterfield suburbs and further north in Virginia in the Manassas suburb of Washington, D.C.

Wal-Mart paved the way for the entry of its discount stores into the Northeast by first opening Sam's Club membership warehouses in the region. A Sam's was planted in Delran Township, N.J., in 1989 and was followed up this year with units in Atlantic City, N.J., and Temple and York, Pa., the latter twinned with the Wal-Mart there as part of the retailer's plan to combine Sam's and Wal-Mart at the same site to draw the most traffic.

Sam's are due to open in 1991 in Harrisburg, Pa., and Utica, Greece and Henrietta, N.Y. The Harrisburg, Greece and Henrietta Sam's will be twinned with the Wal-Marts in those markets.

Sam's are also on the drawing board for other Northeast markets: Albany, Binghamton, Syracuse and Poughkeepsie, N.Y.; Allentown, Harrisburg, Lancaster, Johnstown, Philadelphia and Wilkes-Barre, Pa.; Wilmington, Del.; Portland, Maine; and Portsmouth, N.H.

Wal-Mart's gearing up for its Northeast thrust came as it reported a 22% jump in total sales in November to $3.2 billion and a 25% boost for the 10-month period to $25.5 billion. Same-store volume was up 7% for November; 10% for the 10 months.

Goldberger Out, Hills Fate Unclear

(Continued from page 5)
Goldberger's resignation from his one-time family business surprised some observers.

Securities analysts Jack Siebald, vp at Soloman Brothers, and Jeff Edelman, vp and retail analyst with Barkelys deZoete Wedd, said they were quite surprised by Goldberger's sudden resignation.

Goldberger had been the chain's president and ceo since 1981. He assumed the role of board chairman when his father died in 1987. Hank Goldberger founded the chain in 1957 and is considered one of the pioneers of the discount store industry. In 1980, he was inducted into *DSN's* Discounting Hall of Fame. The younger Goldberger joined the company in 1970.

While heading the chain, Goldberger is credited with Hills' 1985 LBO from its former owner, the Shoe Company of America (SCOA), returning the firm to a publicly held company in 1987, and with the 1989 acquisition of 33 former Gold Circle stores.

Goldberger also had been a key player in several other changes. Among them:

- Acceptance of credit cards last year;
- Rollout of UPC scanning this year;
- Scheduled opening of distribution centers beginning in '91;
- The introduction of a store refurbishment program beginning with the debut of a new prototype next fall.

Exactly how and where Brouillard and Lee will lead Hills remains unclear. Both men declined to be interviewed until early next year, a spokesman said.

The board's replacement of Goldberger with Brouillard, a financial expert, signals a new business approach for Hills, one that obviously will emphasize financial performance. Lee has been on the discounter's board of directors since 1985. He is president of the Thomas H. Lee Company, a firm specializing in investment activities. Lee was president of SCOA, which owned Hills for 20 years prior to the 1985 LBO, which along with Drexel Burnham Lambert, Lee's company helped to finance. The LBO was valued at $640 million.

Hills' most recent financial statement paints a fairly bleak picture.

For the third quarter ended Nov. 3, Hills posted a net loss of $3.99 million on sales of $557.7 million. Sales for the quarter were up 5.9% from the corresponding period a year ago. Same store sales rose 1.7% for the quarter.

For nine months, Hills reported a net loss of $36.1 million, up from a net loss of $24.4 million a year earlier. Sales for the three quarters were $1.468 billion, up from $1.355 billion for the 1989 period.

Operating income for the chain was positive for both the third quarter and the nine-month recording period, but still below last year's result.

Hills reported an operating profit of $24 million in the third quarter, down from $31.5 million a year earlier. For the three quarters, Hills recorded an operating profit of $19.1 million, down from $33.8 million for year before.

On a positive note, November sales, ended Dec. 1, rose 15.7% and same store sales increased 13.3%

The chain recently announced that it finalized a revised agreement with its bank group and that Norman Matthews, formerly president of Federated Department Stores and chairman of the now-defunct Gold Circle discount chain, is a new board member.

Brouillard has commented in published remarks that "margins were under pressure from the cost of expanded promotion and the recent sluggish retail environment."

Hills is a very leveraged company, due mostly to the 1985 LBO and the 1989 acquisition of the 33 Gold Circle stores. The worsening economy in its prime market areas, the Northeast and Midwest, are further pressuring the chain's performance. Hills also is confronted with the costs associated with refurbishing its stores, and absorbing the costs of offering credit.

Analysts are split on Hills' ability to weather the storm.

Prior to the management reshuffle, analysts David Poneman and Dana Eisman of Sanford C. Bernstein & Co., a New York security analysis firm, issued a report that said Hills could be saved. They suggested cutting expenses related to "growth-related central functions, discretionary development programs and overall store labor."

Sears to Evaluate Homelife Format

(Continued from page 7)
and/or fire an undisclosed number of non-selling employees—mainly part-time workers—in its full-line stores starting next year. Earlier this year it fired 213 employees in its catalog division to cut costs as part of the automation of that operation.)

Bitowt explained that Homelife was different from other Sears power formats in its distribution requirements and the type of advertising needed to attract consumers. Homelife's distribution is geared to delivering goods directly to customers, who can shop for furniture as easily in a freestanding store as in a section within a Sears. However, furniture in a Sears can feed off the store's traffic while a freestanding Homelife has to generate its own business.

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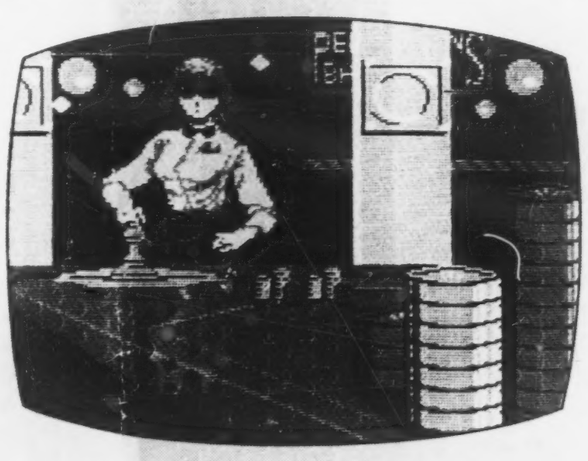

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Pace Acquires Price Savers In Clubs' Ongoing Contraction

By Arthur Markowitz

AURORA, Colo. — The wholesale club industry's contraction into four major players continues apace as Pace Membership Warehouse acquired Price Savers for an undisclosed amount of cash.

The move consolidated Pace's position as the industry's fourth largest chain—Price Savers was No. 6—and came amidst widespread speculation that the Warehouse Club and BJ's Wholesale Club, the last remaining major players, would be acquired during the year.

On an annualized basis, the 17 Price Savers are expected to add about $850 million in sales to the 61-unit Pace's estimated $2.5 billion volume.

A deal between the Warehouse Club and A&P whereby the food retailer would obtain a 50.8% controlling interest in the membership warehouse was called off shortly after Pace acquired Price Savers.

Warehouse Club president and chief operating office Sherwin Deutchman said both companies agreed that completing the deal—which called for A&P to buy 7.3 million newly issued Warehouse Club stock for $10.95 million—"didn't benefit either party at this time." Deutchman said the "company is committed to doing what is in the best interest of shareholders and employees."

(Continued on page 134)

Office Depot To Buy 23-Unit Office Club

By Laura Liebeck

BOCA RATON, Fla. — The consolidation of the office supply superstore industry continued last month as the industry's largest chain, Office Depot, said it would merge with Office Club, Concord, Calif., in a deal estimated to be worth $140 million.

The 122-unit Office Depot, with 1990 sales expected to total $600 million, will widen its lead over its competitors by a wide margin with its acquisition of 51-unit Office Club.

The merger, which will place Office Club as a wholly owned subsidiary of Office Depot, will be completed this spring, said David Fuente, Office Depot's chairman, president and chief executive officer, who relinquishes his presidency in the merged company.

Mark Begelman, chairman and ceo of Office Club, becomes president and chief operating officer of the merged company.

Other management changes have not yet been announced but Fuente expects additional Office Club personnel to move over to Office Depot.

Office Club will continue operating under its own name in most markets without material changes. However, in markets where the two chains overlap, Dallas, for example, Office Club outlets probably will become Office Depots.

Office Depot talked with Office Club about the possible merger for "quite a while," said Fuente, noting that the talks got serious only a few

(Continued on page 133)

***Pic 'N' Save's Williams:** 'I want stores brimming with dramatic presentations of inexpensive goods. Mass presentation is the key.'*

Pic 'N' Save Head Sees Promise in Retail Turmoil

By Richard Halverson

NEW YORK — Len Williams, the new president and chief executive of Pic 'N' Save (PNS), got an early Christmas present.

In a vote of confidence in mid-December, the Southeast Asset Management Fund bought 585,000 more shares in the closeout chain, raising its stake to 5.7 million, or 18.6% of shares outstanding.

That vote came a month after Williams, a 30-year veteran of retailing, took the reins of PNS—which suffered from a bruising takeover attempt last summer—from Lewis B. Merrifield III, a corporate lawyer.

And that vote came just six weeks after PNS, based in Dominguez, Calif., reported a net loss of $974,000 for the first nine months of 1990, compared with net earnings of $30.9 million in the same three quarters of 1989.

Much of the loss stemmed from the $19 million costs of fending off that hostile takeover bid and a restructuring

(Continued on page 133)

MARKETWATCH

Sky City Sale Falls Flat

ASHEVILLE, N.C. — The sale of Sky City Stores to a holding group headed by current management fell through late last month, even though the company prematurely issued a press release stating that the acquisition had occurred. At presstime, it is not clear whether the extensive restructuring plans outlined in the release—which called for the closing of 20 of the chain's 55 Southeastern stores—would be undertaken. Originally, the $140 million Sky City Stores was to be bought from financially troubled furniture and footwear manufacturer, Interco, by Sky City Holdings Corp. The infusion of capital from Hong Kong-based Asia Pacific Industries and other members of the holding company was to allow for five new store openings in 1991, as well as the development of new facilities.

Jewelcor Fails to Sell Publishing Arm

WILKES-BARRE, Pa. — Jewelcor's plan to sell its Suburban Publishing subsidiary as part of its Chapter 11 reorganization fell through when Alden Press, Elk Grove Village, Ill., called off its proposed acquisition of the printing company on the day the deal was to close. Jewelcor will continue to operate Suburban Publishing while it looks for another buyer as part of its agreement with major creditors to either sell its businesses—which also include the Jewelcor Merchandising group and Gruen Watch operation—or else find third-party financing for them.

Waban Converts Ohio BJ's to HomeClub

TOLEDO, Ohio — Waban expected to spend $1.2 million to $1.5 million to convert its now closed BJ's Wholesale Club here into a HomeClub warehouse home center. The unit, the first HomeClub in the Midwest, is due to open in the spring. The Toledo BJ's, shuttered Dec. 24, 1990, was one of the chain's poorer performing units and the only one in Ohio. The 28-unit BJ's now has just four Midwest stores, all in the Chicago market, but it faces explosive competition there from 10 Sam's Club stores, with more Sam's on the way.

Woolworth Re-Opens East German Store

HALLE, Germany — As another indication of the growing importance of the European market to American retailers, Woolworth Corp. recently re-opened what had been its first store in Eastern Germany prior to World War II. The store, which originally opened in 1933, is the first of a projected 30 to 40 stores planned for the market.

Major Creditors Support Child World

Seven leading toy manufacturers have banded together to support Child World, the troubled toy chain which recently announced the suspension of loan and inventory payments. The seven (Hasbro, Ben Cooper, Fisher-Price, LEGO, Mattel, Tonka and Tyco) have sent a letter to other unsecured creditors urging them to refrain from suing Child World or taking other legal actions that may push the retailer into Chapter 11 while a reorganization plan is developed. The letter, signed by "the Unofficial Committee of Unsecured Creditors of Child World, Inc.," states that Child World has made significant disclosures and has developed the outline of a promising global restructuring plan. "The Committe membership has unanimously indicated its support for the program, conditioned upon the continued compliance by Child World ..." the letter read, in part.

Kmart to Co-Sponsor U.S. Bicycle Classic

NEW YORK — Kmart will be one of two inaugural sponsors of the U.S. Bicycle Classic, an amateur event aimed at preparing racers for the Olympic Games. Scheduled for June 18 to 23, throughout the state of West Virginia, the U.S. Bicycle Classic will incorporate five road races, two time trials and one circuit race for a total of 519 miles. The five-day, point-to-point race will begin in Wheeling and finish in Charleston. According to Bill Parker, Kmart's vice president for marketing, sales and advertising, Kmart's 15 stores in West Virginia would get involved in the event, which will be featured in advertising and marketing efforts.

FOR THE RECORD

Grandpa Pidgeon's, the Bridgeton, Mo.-based discounter, operates nine stores, not 11 as stated in *DSN*'s Oct. 15 issue.

Best Grapples With Creditors

RICHMOND, Va. — Best Products has "temporarily" halted payment to its vendors while it attempts to restructure the approximately $665 million debt that resulted from Adler & Shaykin's 1988 leveraged buyout of the cataloger.

The $2 billion retailer hopes to "shortly" reach some agreement with its main creditors, which include the Manufacturer Hanover Trust Co. of New York and the Rockefeller Group. While Best reported it had funds to purchase goods during January for its immediate needs, trade sources said the cataloger was under pressure from suppliers to resolve its financial problems prior to the housewares and consumer electronics shows this month so they can resume shipping merchandise.

In a pre-Christmas letter to vendors, Best president Stewart M. Kasen said, "In the interest of all parties and to make sure that all vendors are treated equitably, we have temporarily suspended all payments pending the conclusion of our discussions [with financial lenders] and the development of the financial plan."

A spokesman noted that Best had decided last August that it would pass up terms that involved anticipation because "we felt it was more important to conserve cash and maximize cash flow than get the discounts from anticipation payments."

The move "stirred concern among some vendors" and a few suppliers, particularly in the consumer electronics areas, "disliked the decision enough to stop shipping," he said. "It became a self-fulfilling prophecy as the lack of goods resulted in reduced sales."

Best had put a number of programs in place, including: increasing its catalog's size 21.7% to 404-pages, increasing the mailing 34.6% to 7 million potential customers, and focusing its merchandising on three core categories—jewelry/giftware, housewares/home furnishings and home products (CE, photo and luggage). The programs had produced "some positive results," he added.

Hersh Out At IMRA

WASHINGTON — Richard Hersh has been fired as president of the International Mass Retail Association, the trade association for the discount store industry.

"The only statement we're making is that his employment was terminated," said William Atkinson, chairman of the board of the IMRA.

Hersh's termination was effective Dec. 21, 1990.

Atkinson, former president of the Towers Department Store chain in Canada until its acquisition by Zeller's last year, also confirmed that IMRA director of conferences Samantha McCabe left the association before Christmas.

(Continued on page 134)

Harts Eyes Hypermarkets

By Mary Ellen Kelly

COLUMBUS, Ohio — Harts has taken the first steps toward becoming the first chain of regional hypermarkets.

The restructuring that took place at Harts' parent—Big Bear Stores Co.—during the fourth quarter of 1990 may signal a new emphasis on the Big Bear Plus hypermarket format and the eventual dissolution of the Harts discount store division.

The reins for Harts were handed over to what had been the grocery store side of the operation, and the top Harts post is now "non-foods director."

The company will not say that the entire Harts chain will be converted into its three-year-old Big Bear Plus food/general merchandise format, but money speaks louder than words. Big Bear Corp. recently reported its four-year $112.5 million capital spending plans, and the proposed spending suggests that the entire Harts chain could ultimately be transformed to hypermarkets.

(Continued on page 133)

Harold's Plans to Rebuild

BRAMPTON, Ontario — Kmart Canada Ltd., based here, sold its 155-unit Bargain Harold's dollar store chain to an investor group which includes one-time Canadian Tire president, Dean Muncaster and former Canadian Tire executive vice president Barry Setnor. While Kmart was not looking to sell the chain, the undisclosed purchase price evidently swayed management to sell the recently unprofitable chain.

The $300 million Bargain Harold's operation has operated at a loss for the past few years but new management believes changes in Canada's economic climate coupled with improvements in store format, information systems and distribution will return Bargain Harold's to profitability. Bargain Harold's future could be aided by the simple fact that it is new management's sole focus, instead of the secondary business it was for Kmart.

Dean Muncaster, who is now chairman of Bargain Harolds told *DSN* he pursued the chain because he saw it as a good opportunity. "Consumer trends are changing. The emphasis is on value. The days of free and easy spending are be-

(Continued on page 133)

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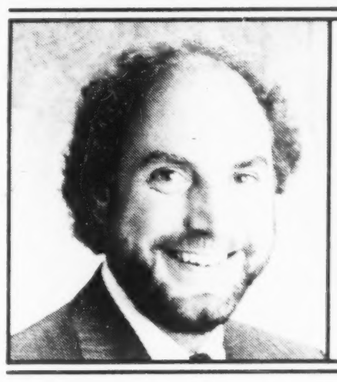
EDITORIAL

Stuarts Falls Victim to the Times

The ice and snow surrounded the new office building and distribution center which Stuarts Department Stores had just moved into about a year ago in Franklin, Mass. It was a typically cold, windy and dreary winter day, but once you entered the lobby of this new, but modest, headquarters, the warmth and excitement reflected the renewed spirit of this regional discounter entering the '90s with a new president and a new strategy.

Joe Ettore had left a top merchandising post at Jamesway to head up this 23-unit chain that had been struggling and fighting to survive in some tough New England markets. The turnaround task wasn't an easy one, Ettore knew that. He had accepted this challenge and he was determined to make it happen. He wasted little time. He made sweeping changes in every aspect of the business—marketing, merchandising, operations, store design, etc. He was on a roll. His staff believed in him, the vendors supported him and the customers were beginning to notice the changes. Believe it or not, the future looked bright for this struggling regional discounter.



TONY LISANTI
Editor

Then surprisingly on Dec. 7, 1990, Stuarts filed Chapter 11. It was a matter of circumstance rather than a failure to execute Ettore's plans. Needless to say, Ettore was frustrated and disappointed, but he remains confident that Stuarts can survive.

In fact, I remember Ettore chiding me over the last paragraph of a story I wrote discussing the changes being implemented at Stuarts. In the February 26, 1990, issue of *DSN*, I wrote, "But, as he [Ettore] admitted, the measure of success will be profitability. And only time will tell if the new Stuarts will become 'New England's Way to Save,' or another regional chain that couldn't survive." He jokingly wanted to know how could I even say this? But he knew it was true. He knew the harsh reality that faced him.

What happened to Stuarts is an unfortunate, but typical example of the problems plaguing many discounters today. The sagging economy, the recession, the competition, the debt and lack of financing—and not necessarily poor merchandising, poor management and poor systems—are seriously hurting retailers nationwide.

Stuarts had a sound plan and strong management. But it couldn't escape the wrath of its primary lender. Ettore made some last minute presentations to convince the bank to continue to support Stuarts. He proposed to close several stores but to no avail. He tried to secure alternative financing, but couldn't. He desperately tried to save Stuarts. The bottom line was the bank wanted out of the loan. Stuarts had no choice but to file for bankruptcy.

This is a tale of the times. This is a story that will be probably be told again this year because there are many retailers in the same predicament. Macy's, Hills, Best Products and Child World are only a few examples of retailers that are struggling more for reasons attributed to high debt or the competition, rather than the ability to execute their respective concepts well. No one person can be blamed; no one reason can be cited unequivocally.

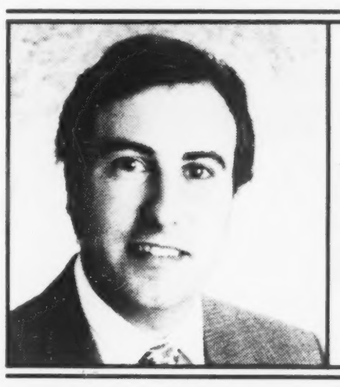
I wrote last year that 1990 would be a turbulent year—and it was. It looks like 1991 will be a carbon copy.

BUYERS & SELLERS

Recession Will Test Commitment to Change

On the whole, 1990 was a year in which the vendor/retailer relationship took great steps toward becoming more of a true business partnership. More retailers than ever before have made a commitment to working with their resources in order to develop product lines that stand for something unique in their customers' minds. They're more willing to share sales trend information, giving their suppliers the data they need to do an even better job of servicing the retailer's stores with on-trend merchandise at the right time to maximize sales.

Now, as the nation muddles through its first economic recession in over a decade, that relationship will come under new strains. At all costs, retailers must avoid the temptation to revert to a 'beat 'em up' mentality in dealing with their suppliers. And, vendors must be willing to listen more closely and react more quickly to retailers' needs. For example, now that retailers have the systems in place to project sales as much as eight months in advance, there's no reason why suppliers should be unable to anticipate and meet the retailers' merchandise needs.



DON LONGO
Exec Editor

A whole new set of rules regarding product development will apply in the future. In the high-flying '80s, manufacturers came out with what seemed like a never-ending stream of yuppie toys, high-tech versions of basic products, and short-term fashion statements for a consumer without any appreciation of financial limits. The '91 consumer, hungover from the aftereffect of his status-conscious consumption, is sobering up and sports a new back-to-basics mindset.

This month's Consumer Electronics Show in Las Vegas and the Housewares Show in Chicago will be a good barometer of how clearly manufacturers have grasped the new situation. In fact, the first three months of '91, as usual, are loaded with industry conventions. Next month, there's the Toy Fair, Back-to-School Show, Super (sporting goods) Show and Photo Show; and in March, there's the MAGIC (men's wear) show.

At CES, manufacturers must resist the temptation to assume that what worked in the past will work in the future. Retailers must avoid concentrating their efforts solely on discovering the "next VCR." Expect to find a host of peripheral items that can be sold without sacrificing margin.

The recession could actually benefit housewares sales. At-home entertaining and cooking will become more popular and products that enhance the home lifestyle offer sales opportunities.

The slumping economy is affecting other product categories as well. Dollars that formerly have been going for $50 video games could revive some basic toy categories in 1991. The Back-to-School Show, with its expanding focus on the home office, promises to spotlight some interesting new products. Exhibitors at the Super, Photo and MAGIC shows will be similarly challenged to meet new consumer demands.

But, these changes can't be made in a vacuum. It will take close communication between retailers and manufacturers, and even among the manufacturer's resources to develop successful new product merchandising programs for the '90s.

READERS' REPLY

Dear Editor:

I was very pleased with *Discount Store News*' full study issue of Kmart (Dec. 17, 1990). It was especially gratifying to see stories about all the good things happening at Kmart.

Thank you for all your efforts and please pass on my thanks to Don, Pete, Art, Laura, Mary Ellen, Jill and Richard for their fine reporting. I look forward to future stories with *DSN*.

Joseph E. Antonini
chairman and chief executive officer
Kmart Corp., Troy, Mich.

Editor's note: **The exclusive report, entitled, "Kmart's Fresh New Face," was written by *Discount Store News* editor Tony Lisanti, executive editor Don Longo, senior editors Arthur Markowitz, Pete Hisey and Laura Liebeck, and associate editors Mary Ellen Kelly, Richard Halverson and Jill Lettich. Anyone wishing to obtain additional copies of the special issue may do so by writing to Tony Lisanti, Editor, *Discount Store News*, 425 Park Ave., New York, N.Y. 10022. Please include $25 in check or money order payable to *Discount Store News* for each issue ordered.**

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Electric Grills Smoking Hot With Small Appliance Buyers

Nationwide DSN Report

A classic outdoor cooking method has been transformed into a fast growing indoor small appliance that's become the key item in a new classification: tabletop electric cookware.

The small appliance is a tabletop electric grill, which took off in mail order catalogs and conventional department stores in the mid-'80s and gradually became a strong selling basic traffic appliance in discount stores and catalog showrooms during the past two years.

Tabletop electric grills became one of the top selling traffic appliances this past Christmas, with the dominant version the ceramic models that remain cool to the touch and give off little, if any, smoke while they grill.

The growing acceptance of the safety and convenience of tabletop ceramic grills has resulted in a number of manufacturers planning to introduce other ceramic kitchen electrics like toaster/ovens, steamers and chafing dishes at the National Housewares Manufacturers Association's annual January Housewares Show.

The tip-off on indoor grills' transformation into a mass market small electric is evident from how catalog showrooms treat the item. Grills weren't part of the traffic appliance mix in catalogers' 1989-1990 books. But among the 1990-1991 catalogs, Best Products and Consumers Distributing are both merchandising two sku's, the former Maverick products and the latter Dazey items, while Luria's shows four models, one each from Dazey, Hamilton Beach, Maverick and Rival.

These same brands, along with Contempra and direct imports, are found in discount stores and membership warehouses. The number of sku's and the mix of names and price points enable the chains to sidestep direct item comparisons.

Wal-Mart features Contempra and Rival goods within planogrammed kitchen electric gondola displays, while Kmart, after testing electric grills, is developing a program using Contempra items. Among the branded lines in wholesale clubs: Wal-Mart's Sam's Club goes with Dazey; Maverick and Contempra are key suppliers to Price Club; while Costco and Kmart's Pace use Contempra.

Manufacturer margins for indoor electric grills are under 30%, in line with other small appliances. Retailers' markups range from 10% for goods on promotion to 20% to 30% for non-ad merchandising, depending on the item's price point. The key selling range is $20 to $30 for the basic 90-inch and 120-inch diameter oval grills, with larger units like rectangular 154-square-inch and 180-square-inch models going to $70.

Retailers are turning to electric grills to charge up the tabletop cookware category. Sears, which is credited by some manufacturers with developing the market for tabletop grills, cross merchandises grills and related cookware like warming trays, buffet range and broiler/rotisseries in vignettes; catalogers present a similar image by grouping these products together on a page.

Discounters, however, are unable to tie together the different types of tabletop cook-

(Continued on page 106)

Ceramic Tabletop Grill Shipments

Year	Units
1987	400,000
1988	750,000
1989	1,500,000
1990	2,600,000

Source: Maverick Industries, Inc.

Natural Materials Preferred For Tabletop Electric Grills

Nationwide DSN Report

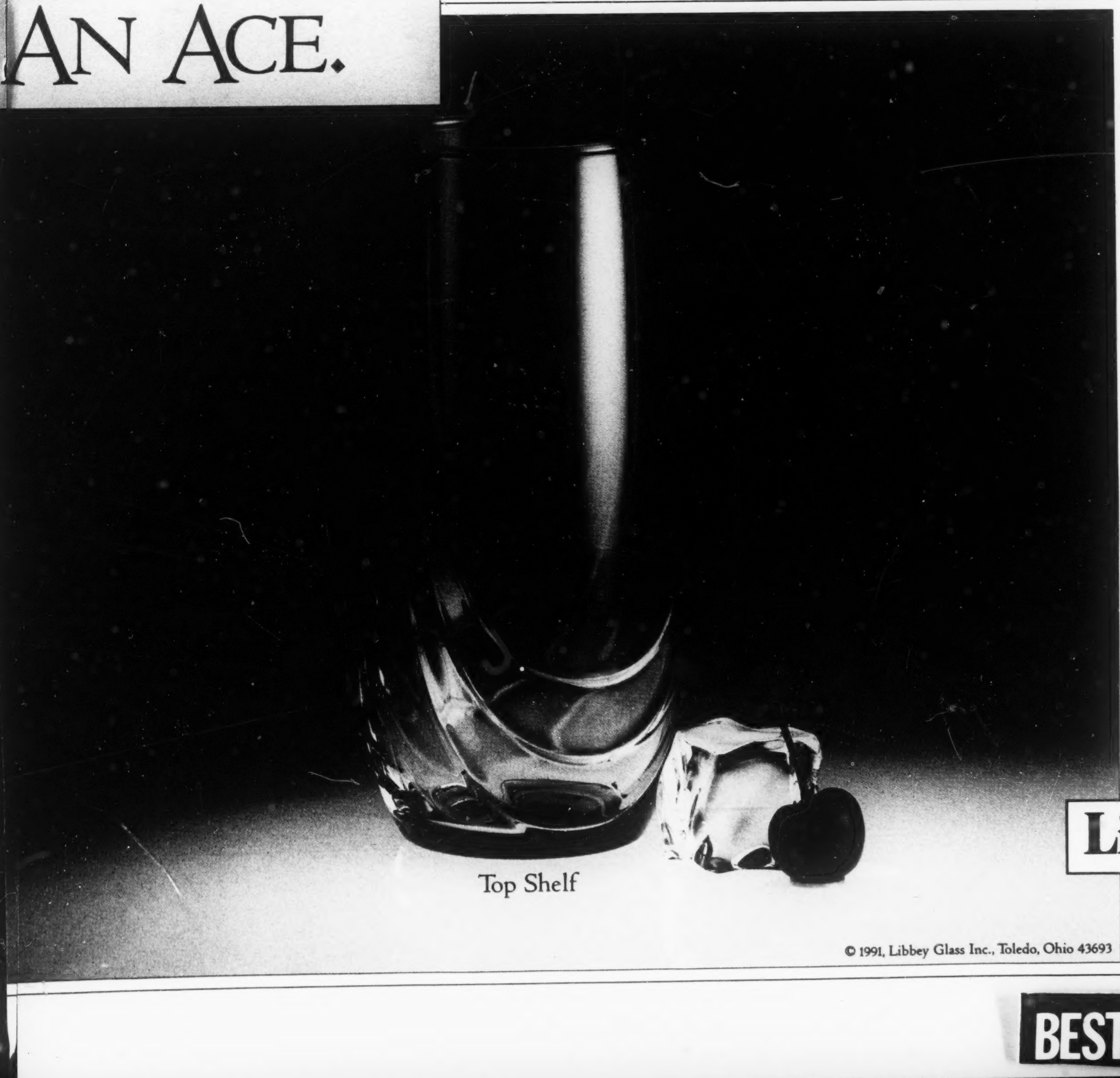
Ceramics has become the preferred material for tabletop electric grills because this substance is a natural insulator. Unlike metal, it retains heat without become hot so that the outside of the grill won't burn anyone touching it.

But the ceramic shells have to be formed from special clays and then fired in giant kilns for eight hours. Pieces that have flaws such as air bubbles or cracks have to be disgarded.

Ceramics aren't the only natural material that have long been used as cookware. Stones have also been used for cooking and the interest in tabletop grilling has resulted in the development of a related top of table cooking product: hot stones.

These are large flat soapstones that are first heated, after which foods can be fried or dry cooked on top while the stones are kept hot over alcohol burners.

AN ACE.



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Electric Grills Sizzle in Small Appliance Arena

(Continued from page 105)
ware because of a lack of display space, with promotions the only vehicle for cross merchandising. Membership warehouses eschew cross merchandising, relying on traditional bulk displays and sharp prices to sell their selective tabletop cookware assortment.

Despite their growing popularity, tabletop grills haven't impacted sales of traditional outdoor grills. One Midwest discount buyer noted that outdoor grills involved more than just cooking, it was also a form of family entertainment and fun. Tabletop grills get their greatest use when its too cold to cook outdoors, he added.

A Sears' cold weather Thanksgiving promotion in 1988 that featured a Contempra unit was credited by vendors as the spark that ignited the tabletop grill market. Sears' national exposure, supported by manufacturer promotions, resulted in the product becoming a mass market item, rather than just a modest seller in conventional department stores in the Southeast and West Coast.

Many states banned the use of outdoor grills indoors or on apartment house patios, boosting the consumer demand sparked by Sears' national promotion. Tabletop grills became the safe, legal cooking alternative.

The interest in tabletop grilling also reflects a number of other factors, manufacturers said, including offering an inexpensive version of the popular Jenn-Air grill found on gas and electric ranges.

Doug Frazier, Contempra Industries vice president of marketing, noted that indoor electric grilling ties into today's lifestyle as a quick and easy way to cook. "Many families have two breadwinners and either one can plug in the grill and prepare a meal. There's no need to fire up an outside grill."

He said that over 5 million tabletop grills will be sold this year, with ceramic models accounting for over 4 million units.

Edward H. Mackin, president of Maverick Industries, said that consumers recognize that "grilling is a convenient and healthful way to cook as fats drain away during cooking," he said. "Consumers have accepted the ceramic grills as safe and perceive it as offering more value than metal tabletop grills."

Lew Mendelson, executive vice president of Dazey Corp., added that grills are an adjunct to microwave cooking. "The microwave has become the center of the kitchen but it can't broil or fry," he said. "Consumers are now buying smokeless grills as the specialty cookware for these types of cooking."

***Tabletop ceramic electric grills developed** into one of the hottest products in the small appliance arena this past holiday season as more goods came on the market from a greater number of manufacturers.* (DSN photo)

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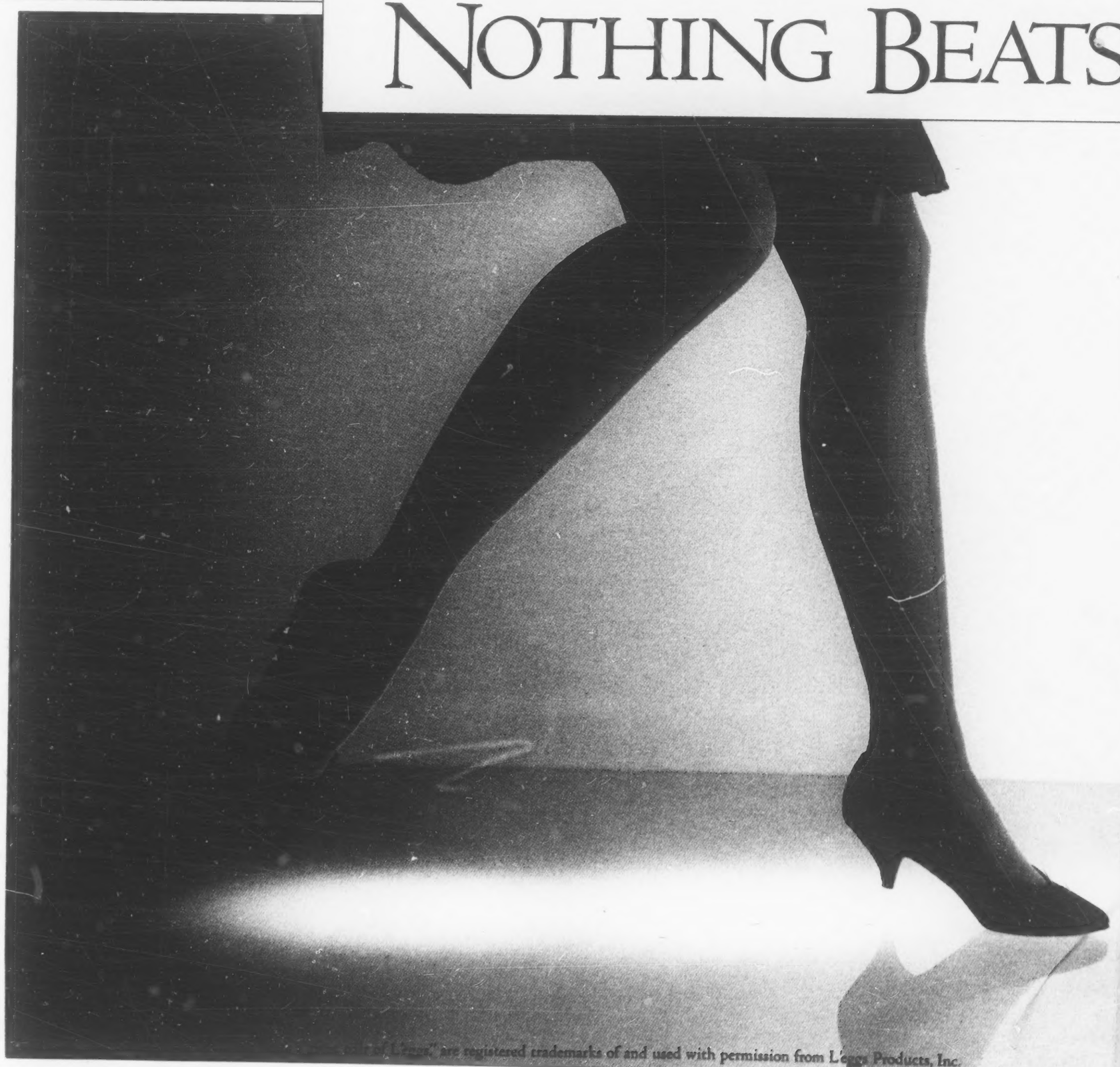

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HARD LINES

Automotives • Health & Beauty Aids • Hardware • Toys • Stationery • Sporting Goods • DIY

New Hair Care Makes Waves

Two-In-Ones Add Volume to Shampoo Sales

By Richard C. Halverson
Nationwide DSN Report

A wave of new, two-in-one shampoo and conditioner preparations is breaking over the health and beauty aids market, and planogrammers who fail to make room for them will be left foaming at the mouth.

Already contending with as many as 16 sku's for a single brand of shampoo and its companion conditioner, planogrammers now must figure out how to squeeze in yet more sku's of the same brand, offering a combination shampoo and conditioner.

Retailers that fail to make room for the new hair care products will lose sales to competitors that do, warned Boston Distributors, a discount trade supplier.

Procter & Gamble has seen its Pert Plus two-in-one shampoo and conditioner edge out its Head and Shoulders brand as the top-selling shampoo in the country.

After five years on the market, Pert Plus accounts for an 8% case share of shampoo sales, said Jim O'Connell, a P&G spokesman, while Head and Shoulders has declined to a 6.5% to 7% case share.

By including the flood of two-in-one formulations starting to ship, they could capture 20% to 25% of the shampoo and conditioner market in 1991, O'Connell predicted.

When P&G introduced Pert Plus five years ago, it dropped Pert, which already had a hint of conditioner, said O'Connell. But most are adding to sku proliferation with their new two-in-ones.

As an example of the sku clutter in the category, the Kmart in West Long Branch, N.J., carries six sku's of Pert Plus: Oily hair, Normal, Dry or Damaged, Extra Body (for fine hair) plus two dandruff control formulations, Normal and Extra Body. At $3.78 for a 15 ounce bottle (11 ounce for dandruff control), Pert Plus occupies the second highest price point for that Kmart.

Hair Care Sales[1]

Category	1986	1987	% Chg.	1988	% Chg.	1989	% Chg.	Discount Market Share
Unit Sales[2]								
Hair Care[3]	1,532	1,575	2.8%	1,641	4.2%	1,698	3.5%	27.2%
Shampoo	566	567	0.1	582	2.6	615	5.6	25.2
Conditioner	308	314	1.9	339	8.0	357	5.3	25.8
Dollar Sales[4]								
Hair Care	$3,690	$3,805	3.1%	$4,018	5.6%	$4,227	5.2%	21.0%
Shampoo	1,256	1,287	2.4	1,364	6.0	1,475	8.2	21.5
Conditioner	676	692	2.2	765	10.7	831	8.7	22.2

[1]Food, drug and mass market outlets.
[2]In millions of units.
[3]Includes styling, hair coloring, ethnic, men's hair preparations, home wave and mousse, as well as shampoo and conditioners.
[4]In millions of dollars.
Source: A.C. Nielsen

Head & Shoulders, now the No. 2 brand in the nation, occupies the highest price point at Kmart, $3.88 for 15 ounces and $3.37 for 11 ounces.

Spurred by the success of Pert Plus, other major vendors have jumped into the two-in-one fray.

Revlon, for instance, started shipping its Flex & Go Shampoo/Conditioner in One several months ago, said Alida Curcio, vice president, marketing, and Flex & Go product manager.

Two-in-one products represent "the most dramatic change in hair care" for 1991, Curcio said, and reflect "changes in lifestyle."

"Consumers are more active," she explained, "using the gym for workouts more, and also shampooing their hair more frequently.

Price Point Percentage Breakdown[1]

Price Category	1988	1989	1990
Premium, $2 or more	38.0%	39.3%	39.3%
Mid, $1.50-$1.99	10.4	10.7	10.5
Value, $1.00-$1.49	22.3	19.9	19.2
Budget, less than $1.00	27.0	28.3	30.8

[1]In units.
Source: Boston Distributors.

"They like the convenience and timesaving of two-in-ones," she said. Revlon is promoting Flex & Go from the convenience angle.

Kmart is stocking two to three sku's of Flex & Go, plus six of the conventional Flex shampoo and Flex conditioner, for a total of eight. Kmart prices Flex & Go at $2.97 for an odd-sized 14.8 ounce bottle. It charges $2.17 for a 15 ounce bottle of conventional Flex shampoo or conditioner.

Two-in-ones are "a hot trend," said Carla Ferrero, an H&BA spokeswoman for Kmart. "All the vendors are jumping on it."

Helene Curtis is shipping its Suave Shampoo/Conditioner in One this month. Kmart already carries 11 of more than 16 sku's of Suave shampoo and conditioner, such as Golden Wheat and Honey, Strawberry Essence, Full Body and Extra Gentle. Kmart prices each at $1.68 for 24 ounces. Conventional Suave also comes in a 16-ounce size.

Helene Curtis is keeping the price constant for its two-in-one, but cutting bottle sizes to 12 ounces and 18 ounces from 18 ounces and 24 ounces.

Chesebrough-Ponds joined the two-in-one fray last month when it began shipping its new Rave All-In-One Shampoo with Conditioner, offering six more sku's in the category.

Last year, P&G began shipping its premium priced Vidal Sassoon Ultra Care, two-in-one shampoo and conditioner in a 9-ounce size. Kmart carries it at $3.58, the same price as an 11-ounce size of conventional Vidal Sassoon. Gillette will offer its White Rain Plus two-in-one in an 11-ounce size, down from 15 ounces for conventional White Rain shampoo.

Alberto is keeping the size of its VO5 two-in-one product constant at 15 ounces but is raising the price, compared to conventional VO5.

Clairol is "actively pursuing" a two-in-one version of its Condition by Clairol hair line, which it recently reformulated with new fragrances, bottles and graphics.

(Continued on page 118)

MARKETWATCH

Sports Authority Up to 19 Stores

FORT LAUDERDALE, Fla. — Sports Authority, the sporting goods specialty chain that Kmart acquired last year, will close its fiscal year with 19 stores in operation, up from eight at the beginning of 1990. In addition, it plans to add 40 more in 1991. Stores opened last year included two in Pennsylvania, Philadelphia and Exton, and one in Southern New Jersey, Deptford Township and two of Kmart's former Sports Giant units in Michigan were closed and converted to the Sports Authority format. Sports Authority also operates units in Maryland and Virginia.

Tyler Purchases Forest City Chain

DALLAS — Tyler Corp., a producer of cast iron sewer and water pipes, has acquired the Forest City Auto Parts chain for $26 million to $30 million. Based in Cleveland, Forest City generated sales of $63 million in 1989 from 51 stores in Ohio, Illinois, Pennsylvania and New York. Store sizes range up to 10,000 square feet, and each store manager buys and merchandises his store independently.

Auto Giant Bows Third Warehouse

LAS VEGAS — Auto Giant has opened its third automotive warehouse unit, following on the heels of its No. 2 in Phoenix, Ariz. The chain opened its first unit in San Bernardino, Calif., back in February. The Las Vegas unit is 75,000-square-feet and features 20 service bays.

STP Opens Four New Quick Lubes

DANBURY, Conn.—STP, a division of First Brands, has opened four of its prototype STP quick lube centers, two in Charlotte, N.C. and one each in Atlanta, Ga. and Orlando, Fla. Last year, STP opened four converted units in Atlanta but closed them all in favor of its prototype that offers car wash, auto detailing and radiator service, as well as quick lube.

Trak Auto Reports Increase in Sales

LANDOVER, Md. — Trak Auto reported that third quarter sales rose 3.9% to $75.8 million for the three months ended Oct. 31, 1990, from $72.9 million a year earlier. Same store sales, however, fell 3.3%. For the nine months, sales rose 8.9% to $219.6 million from $201.7 million. On a comparable store basis, the nine-month gain was 2.4%. Trak operates 331 stores, compared to 305 a year ago.

Exide Wins Kmart Vendor Award

TROY, Mich. — On the strength of its battery recycling program, Exide has won a vendor of the year award from Kmart for product and marketing innovation. Exide launched a program last year to pay Kmart $2.50 for every junk battery the retailers bought for $2 each.

Two-in-Ones Clean Up

(Continued from page 117)

Playtex, which also has reformulated its Jhirmak line, is "looking into" two-in-ones.

For its Style Plus two-in-one, Dow also is raising the price, said John Martin, senior vice president, merchandising, Boston Distributors, Maple Heights, Ohio.

With all the new products, reformulations of conventional shampoos, as well as two-in-ones, coming on stream, discounters that don't have a new hair care planogram on the calendar "are going to miss out on a lot of opportunities," he said.

Two-in-one represents the best prospects for growth in hair care, Martin said, followed by gel-type hair style preparations, spritzes and finally mist conditioners, like Perma Soft Mist Conditioner.

"Their competitors who are undergoing planogramming now are going to garner sales at their expense. Time is of the essence," he warned.

Shampoo Market Share by Type of Outlet

	Mass Merchandisers			Food	Drug Store
	1987	1988	1989	1989	1989
Shampoo	21.3%[1]	20.9%	22.2%	49.5%	27.9%
Total H&BA	17.5%	17.6%	18.3%	43.2%	38.5%

[1]Dollar basis for year ended December 31. Source: A.C. Nielsen Company.

Many discounters are reworking their hair care planograms, "but some aren't," he said.

Shelf space for new two-in-ones will come at the expense of slower moving brands that lack TV support. Some lines will be eliminated entirely, he predicted, while space for line extensions of other slow movers or ones that haven't joined the move toward reformulation, will be cut back.

By the end of 1991, two-in-ones, including Pert Plus and Vidal Sassoon, could capture 15% to 20% of the market, Martin predicted.

Vendors either are shifting to a higher price for two-in-one formulations, compared to conventional shampoos and conditioners, or cutting the size, Martin said.

Margins for two-in-ones fall in the same 20% to 25% range as those for separate shampoos and conditioners.

Where vendors on the lower end, such as Helene Curtis, cut the size of Suave two-in-one but maintain the price, penny profit, or the difference between acquisition cost and retail price, remains the same for two-in-ones as for separate products, Martin said.

On the premium end, however, when price goes up and size remains constant, retailers will make a higher penny profit on two-in-ones, he said.

Retail market share has drifted over the past two years toward both the premium, more than $2, and the budget, less than $1, ends of the business at the expense of products priced in between.

Premium products account for the largest share, 39.3%, Boston Distributors calculated, with budget products taking the next largest, 30.8%.

As a mature category, shampoo is growing at a rate that's a little better than the population increase. Retail dollar value grew 2% in 1990 at $1.44 billion, Boston Distributor estimates.

With only about 35% of men and 75% of women using conditioners, that category had more room to grow last year: 5% to $793 million, for a total of $2.23 billion for the two lines.

Shampoo sales will increase by 3% in 1991 to $1.47 billion, with conditioners increasing by 2% to $809 million.

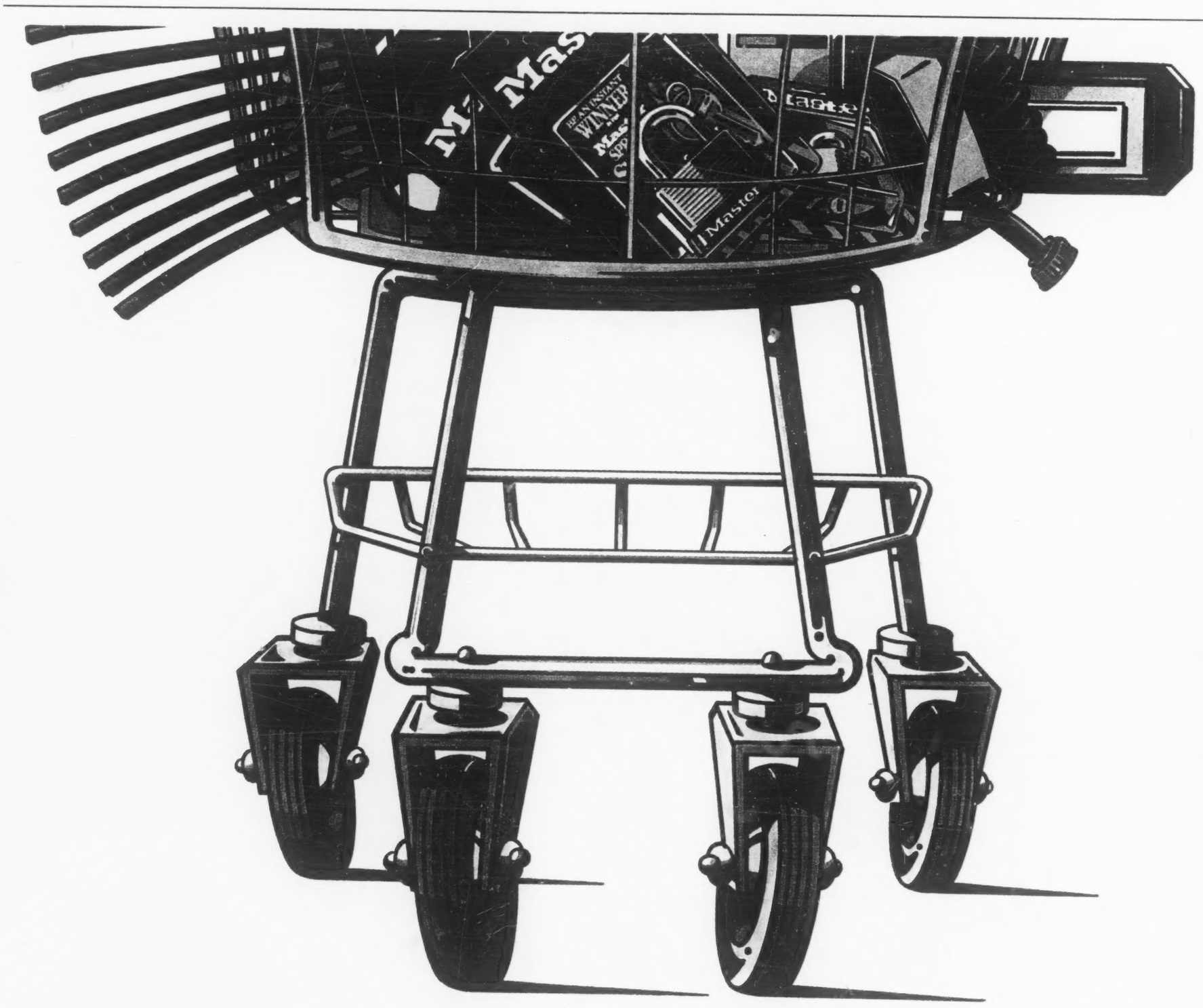
Emphasizing the relative flatness of the market, the shampoo and conditioner market totaled $2.1 billion in 1988, concluded a 1989 market study by Packaged Facts, which is based New York.

With expected growth of 3.6% a year, shampoo and conditioners will represent a $2.5 billion market by 1993, the market study concluded.

An A.C. Nielsen study shows that mass merchants accounted for 22.2% of the shampoo market last year, and 21.5% of conditioner sales. Supermarkets took the lion's share of shampoos, 49%, and conditioners, 43%. Drug chains accounted for the balance, 27.9% of shampoos and 35.4% of conditioners.

Including styling gels, hair coloring, home wave and mousse, the total hair care market came to $4.23 billion in 1989, Nielsen estimated. Mass merchants took a 21% share of the total pie.

(Continued on page 121)



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Growing Adult, Girls' Categories Add Luster to Board Game Sales

Nationwide DSN Report

Driven by strength in the new adult and girl categories, board games appear to have at least held their own in 1990 and perhaps even recaptured a bit of the ground lost in 1989.

Unit sales of board games fell 7% in 1989, with dollar volume shrinking 13.3%, estimates the NPD Group in its Toy Market Index. The average price of a board game slipped to $9 in 1989 from $9.67, 1988, the TMI found, suggesting price-cutting to clear unsold stocks.

Although no sales figures are available yet for 1990, toy retailers and board game makers alike believe that the Nintendo juggernaut lost some momentum last year. They blame Nintendo and other video games for siphoning off dollars that otherwise would be spent on board games and other toys.

Board game makers developed an entirely new category, girls' games, such as Mall Madness by Milton Bradley, and Girl Talk by Western Publishing, in response to Nintendo inroads.

"Boys play Nintendo," a Parker Brothers spokesman said. "Girls play board games," such as the vendor's new Careers for Girls.

Another new category, adult games, such as Scattergories, also Milton Bradley, is the fastest growing of all.

Although adult games lack a blockbuster hit such as Trivial Pursuit, which established the category, Milton Bradley will sell more than 1 million, and possibly 2 million, units of Scattergories. That game was the top selling board game in both dollars (see accompanying chart) and units in October, reports the Toy Retail Sales Tracking Service of the NPD Group. November figures were unavailable at presstime.

Indicating the importance of adult games, NPD will start tracking them as a separate category for the first time in

(Continued on page 123)

Top 10 Board Games

(Based on Dollar Sales)

Rank	Game Name	Manufacturer	Avg. Retail
1	Scattergories	Milton Bradley	$20.15
2	Shark Attack!	Milton Bradley	13.17
3	Monopoly Junior	Parker Bros.	9.15
4	Monopoly	Parker Bros.	9.68
5	Guess Who	Milton Bradley	13.27
6	Operation	Milton Bradley	10.45
7	Trouble	Milton Bradley	9.51
8	Scattergories Junior	Milton Bradley	11.48
9	Perfection	Milton Bradley	14.78
10	Candyland	Milton Bradley	5.54

Source: NPD Group, Toy Retail Sales Tracking Service, October 1990.

New Hair Care Making Waves

(Continued from page 118)

Nielsen, in its 1990 review of mass merchandiser trends, determined that retailers devoted an average of 58.2 linear feet to displays of creme rinses and conditioners and 82.3 linear feet to shampoos, for a total of 130.5 linear feet.

Regionally, however, the averages ranged from a low of 108.5 linear feet in Eastern stores to a high of 168 feet in the Pacific region.

Shampoos and conditioners are a display-driven commodity, said O'Connell of P&G. "Consumers are fickle and not brand loyal," he said. "They will buy the products that catch their eyes."

Deep discount drug chains have been successful with mass displays of hair care products, O'Connell said.

Phar-Mor, Youngstown, Ohio, has moved hair care to center aisle, front, right where customers walk in.

Palletized displays of shampoo and conditioners "are lined up like dominoes," O'Connell said.

P&G provides palletized displays of about 300 pieces that can be slapped into aisles and set up with minimal effort.

Revlon also supplies prepackaged, shrink-wrapped pallet displays for instant floor setup, said Curcio.

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Prez Sees Promise in Turmoil

(Continued from page 1)
deal that saw the raider, David Batchelder, gain two of eight seats on the PNS board.

A steady slide in profits, from a $47.3 million net in 1987 to $30.9 million in 1989, prompted that takeover bid last year. Sales, though, had risen from $361.7 million in 1987 to $475.2 million in 1989.

The worst is behind PNS, Williams said. The damage to employee morale has been repaired and the costs of fighting the takeover have been paid.

"Southeast sees that the concept is sound and that PNS has the ability to become a highly profitable company," he said.

"It's a concept that's totally driven by value," he said. PNS "has a big opportunity to take advantage of the turmoil in retailing today," Williams said.

The problem with PNS was "that the central office became unnecessarily sophisticated and focused on itself," he said. "What I'm going to do is refocus the company back on the stores, back to the business of buying deals and try to eliminate some central office expense."

Some headquarters personnel cuts are in store, "but not abruptly," Williams said.

Pic 'N' Save did make two other changes in its senior management lineup. Allan Pennington, previously vp, business development for the Sears Specialty Merchandising team looking into specialty retailing, was named to the newly-created post of senior vp, administration. Controller John F. Hoffner was named cfo, succeeding William F. Jacobs.

Williams noted that since a closeout chain doesn't re-order the same merchandise, "you don't need a lot of the same control systems and reorder systems that you need in other businesses.

"We have POS in 23 stores [out of 190]. "The big question is, is it any use to us at all?" Williams said. "This is not a complicated business.

"I get a preliminary report in the morning and a final in the afternoon," Williams said. "Both are thick and hard to read. Those will be reduced to one easy-to-read report on one page. I'm a minimalist."

Having Batchelder sit on the PNS board "is not an issue," Williams said. Batchelder recognized that PNS is a proven merchant with a track record.

Now that he no longer is trying to make money by buying and selling the company, Batchelder is devoting his intelligence and financial ability to helping the company as a stockholder, Williams said.

In addition to a management shakeup, the takeover bid forced PNS into a restructuring where it borrowed $44 million to buy back company stock, adding to its exceptionally low debt load and increasing interest expense.

Williams brings to PNS three decades of retailing experience, most recently as a retailing consultant and before that as ceo until 1989 for the retail operations of Lion-Nathan, a diversified manufacturer and retailer in New Zealand.

A native of Canada, Williams gained experience in U.S. discounting as president of Caldor from 1984-87 and chairman and ceo of Gold Circle from 1983-84.

Williams also served in various exec posts at J. Brannam division, a closeout chain that Woolworth operated in the early '50s, Fedmart and JCPenney. Closeout retailing differs from discounting in that it's designed for the merchandiser who likes the flexibility of never seeing the same deal twice.

PNS store managers, for example, get to select as much as 50% of the merchandise from warehouse inventory, he said.

In contrast, mass merchants operate from a fixed selection of goods, housed in planograms, appearing and promoted at predetermined seasons. It amounts to "management by manual," he said.

Williams also expects the "satisfaction of making a lot of money" in his new position.

Without revealing details of the equity position he holds in PNS, Williams said, "I have a good arrangement" through a five-year contract.

"If the company does well, obviously, I do well. But the overriding consideration is that it's fun and can be fun for the customers and fun for those involved in the business."

Williams predicts that PNS will stabilize and return to solid profitability in two years. Until then, he has set a modest expansion plan of 10 stores a year.

His first goal is to fix several immediate problems by refocusing attention from corporate headquarters to the stores.

The first fix will be to bring up to standard some stores in Southern California, its own backyard and largest market. Asked why they are below par, Williams candidly admitted, "I don't know."

PNS also needs "to update lines of merchandise that have gone stale," Williams said.

Williams acknowledged that some stores have suffered from empty shelves. "I can't stand empty shelves," Williams said.

"I want stores brimming with dramatic presentations of inexpensive goods. Mass presentation is the key."

Another priority fix is to reduce central office overhead. "It needs to cost a lot less," Williams said.

In PNS's third quarter of 1990, operating expense as a percent of sales showed a modest improvement, dipping to 41.2% from 41.6% in the same three months of 1989.

Allan Pennington, whom Williams recruited from Sears to take charge last month as the new senior vice president for administration, "also is a minimalist who has a very spartan outlook on life. Between us, we will address central office overhead," Williams said.

Pointing to Wal-Mart's success, Williams said, "the low cost operator in any business is always the guy who will win because he has the lowest prices."

A major problem for Williams is deciding what to do with PNS' new $40 million, 1.1-million-square-foot distribution center in New Orleans, large enough to support 250 stores.

"We've delayed the opening [once set for early 1991] until I decide how to use it most efficiently," he said.

PNS began building the DC in 1989 to support a major expansion drive into the east and southeast, now on hold.

Indeed, PNS retrenched in the east last year by exercising a put option to return the 14-unit Job Lot Pushcart stores in metro New York, acquired in 1989, to its previous owner, Zilber Ltd.

"I'm not sure it was a mistake to build" the New Orleans DC, Williams said. Options would be to sublet excess capacity, switch to flow-through distribution from warehousing or to dump it.

As Williams left to inspect another PNS property in New York, he tossed out a pitch to store managers "who like to merchandise and are sick of bureaucracy."

"Pic 'N' Save is a haven for merchandisers," Williams said. "We're hiring."

Acquisition Of Office Club Widens Gap

(Continued from page 1)
weeks before the Dec. 20 announcement.

Office Depot was attracted to Office Club's position as the dominant office supplies retailer in the West, said Fuente. The chain's stronghold on California, for example, was particularly appealing given the state's demographics.

California is the largest retail market in the United States with 1990 sales estimated at $225.9 billion, according to *Editor & Publisher* Magazine's Market Survey. The population in the state also is the nation's largest, at an estimated $29.3 million. Per capita income is estimated at $17,968 annually, higher than all other states but Connecticut ($20,213) and New Jersey ($20,172).

Fuente also said the merger of the chains provides for "some important cross-learning." He made particular mention of Office Club's direct marketing program and its business with "larger" companies.

For Office Club, the merger is "strategic," he said. "The combination of the two companies creates a powerhouse with a strong balance sheet, of over $900 million of sales in 1990 and permits us to gain important economies of scale."

So far reception of the merger has met with only a little surprise by retail analysts. The deal represents further evidence of consolidation in the relatively young business sector—i.e., OfficeMax's acquisition of both Office World and Office Square in 1990.

"They [the office supply superstores] are beginning to knock heads in one form or another with mergers and acquisitions. The weaker companies are falling by the wayside," said retail analyst Ed Underwood, Scott & Stringfellow, Richmond, Va. "It will be tougher for the small companies."

One analyst, who asked not to be named, said he found the price somewhat high considering Office Club has only recently begun to turn a profit, $1.6 million pretax on sales of $198.7 million through the first nine months of 1990.

"It's a pretty high price to pay for presence in the marketplace," the analyst said.

Under the terms of the merger agreement, Office Club common shares will be exchanged at a ratio of 1.194 Office Depot shares to one Office Club share. Currently, 7.2 million Office Club common shares are outstanding.

In addition, Office Depot will assume Office Club's outstanding options representing about 675,000 Office Club shares.

Despite the merger, Fuente doesn't anticipate any material change in either chain's 1991 expansion plans, at least for the first half of the year.

Office Depot, in Boca Raton, Fla., is a warehouse office supply superstore with store concentrations in the Southeast, Southwest and Midwest. Office Club, based in the San Francisco area, requires its customers to pay a $10 membership fee for the privilege of shopping in its stores or $50 annually for the ability to use credit.

Harts Eyes Regional Hypermarkets

(Continued from page 2)
Ten side-by-side Big Bear and Harts stores will be converted to the Big Bear Plus format. Three Harts stores are slated to be closed this month in Fairfield and Springfield, Ohio, as will the chain's only Kentucky store in Ashland. These closings and conversions alone will leave Harts with only 16 of its current 29 outlets. In addition, the company reported plans to expand or remodel 20 other stores; whether these stores will be Big Bear or Harts formats was not disclosed.

During the management restructuring, Ron Flowers was named to the newly-created post of director of non-foods merchandising. The appointment of Flowers occurred when Mike Reilly—head of the Harts chain as vice president, general manager—retired. The vp, general manager position no longer exists.

Flowers works under Big Bear executive vice president, Roy Flood; Flood, in turn, reports directly to John Josephson, president.

The buying staffs of Big Bear and Harts have been melded into a single team, divided into food and non-food sectors. Non-food buyers make buying decisions not only for Harts, but for Big Bear and Big Bear Plus stores as well. In the past, the Harts and Big Bear stores operated as two separate divisions of one company; now they are far more interrelated.

Bargain Harold's Plans to Rebuild

(Continued from page 2)
hind us," he said, adding that neighborhood Bargain Harold's provide values that full-liners like Zellers do not.

Muncaster added that no closings are planned. The current fiscal year will be one of retrenching, with no additional units slated until 1992. "Some re-merchandising will be needed," Muncaster said. Wider aisles and shopping carts were among some of the basic improvements Muncaster mentioned. New information systems will be added.

Muncaster said costs will be pared by employing two third-party distributors—one for hard lines, one for soft lines—rather than shipping directly to stores from vendors.

Bargain Harold's main competitor is Bi-Way, a chain of 250 dollar stores. Most other dollar store operators are smaller, regional chains, Muncaster said.

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Vol. 30, No. 1 January 7, 1991

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Discount Store News

SECOND CLASS

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Hills Begins Long Climb Back

By Laura Liebeck

CANTON, Mass. — Hills Department Stores has embarked upon a new cost-cutting and store remodeling strategy designed to enhance its competitive position and improve profits.

Earlier this month, Hills said it will close 28 stores in seven states—half of them former Gold Circle units—by spring, lay off 3,000 workers, pay off $200 million of its enormous debt and initiate a store remodeling program.

The chain also said that it will take a non-cash charge of $125 million against fourth quarter earnings as a result of the restructuring that includes the 28 store closings.

Schottenstein & Co., Cincinnati, is handling the going-out-of-business sale at the 28 stores.

Hills retained Smith Barney, Harris Upham & Co. and The Argosy Group to serve as financial advisors and help raise additional capital. The discounter expects to offer a specific plan to restructure its balance sheet, debt included, by the end of the month. The plan should reveal how the company will raise another $75 million to $100 million.

Hills does not plan to file for Chapter 11 protection, said president John Brouillard, who replaced former president and chairman Steve Goldberger last month. "Chapter 11 is not in our vocabulary," he said.

Hills executives, led by Brouillard and Gene O'Donnell, senior vice president, merchandising, are now reviewing the chain's merchandise lines and store fixturing programs to develop a new store prototype that will em-

(Continued on page 35)

Stocks Mauled by '90 Bear Market

By Neil Nordby
Special to DSN

NEW YORK — Wall Street's 8-year-old bull market was officially corralled last year, and the resultant bear market left a rash of battered and beaten discount store stocks in its wake.

And no indicator felt the stinging effects of the market's sudden and powerful reversal last year more than the *DSN* Stock Index. The box score for the 61 retailing issues tracked was down a heart-pounding 330 points to close the year at 1266.05.

In other words, each discounter in our financial barometer spiraled downward an average of nearly 21%, highlighting their bearish performance in 1990.

The reasons for the downturn in retail stocks have been well documented: a weakening U.S. economy that officially slipped into a recession in the fourth quarter, although many regions were in a recession before that; brutal competition that forced dramatic price-slashing among retailers; and the uncertainty brought on by the possibility of war.

As a result of the above concoction, of all issues in our financial barometer, losers routed gainers by better than a 5-to-1 ratio.

A sampling of last year's winners and losers in the discount store sector includes:

- Wall Street's favorites: Investors were steadfastly bullish on those discounters who

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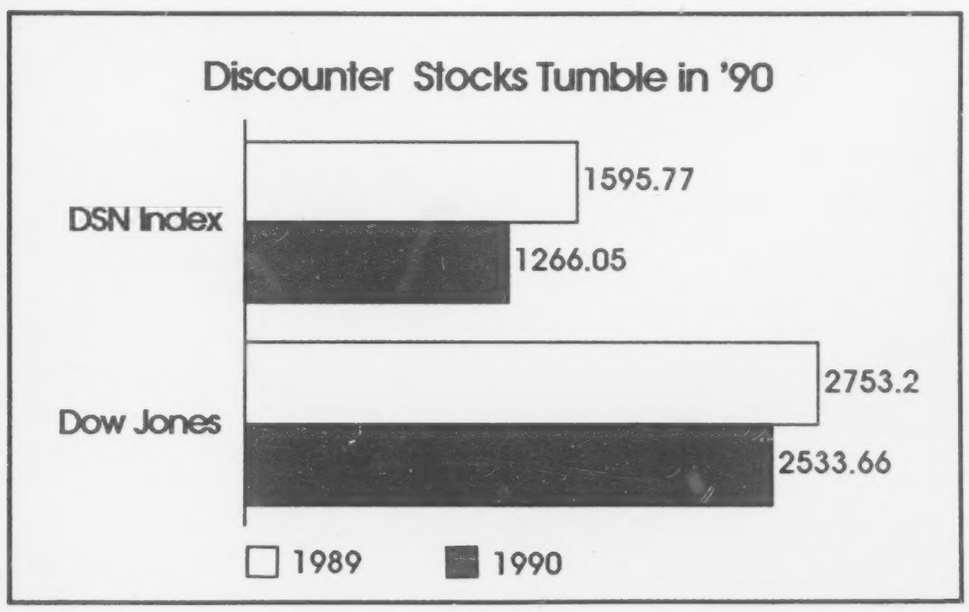

Layoffs at Sears, Other Retailers Fuel Job Fears

By Richard Halverson
Nationwide DSN Report

No need to tell the 1,500 ex-employees of Sky City, Asheville, N.C., that a contraction of retailing is underway that might see the elimination of as much as 12% of existing store square footage in 1991 and 1992.

Following the failure last month of a planned management-led leveraged buyout, the financially ailing parent of Sky City, Interco, is liquidating the 55-unit chain and all employees will be gone by Jan. 31. (see story, page 3).

And the former 1,150 employees of David Weiss, Exton, Pa., a catalog showroom chain that just liquidated its 18 showrooms and 10 jewelry stores, know all too well that the retail job market is shrinking.

(Continued on page 37)

Auto Chain Launches Franchises

KANSAS CITY, Mo. — In the face of a looming recession, Western Auto is launching a new franchised discount auto parts and service store chain called Auto America.

"There will be better times to launch a new business," conceded Chuck Hutchens, vice president of franchise sales for Auto America. "But hard times provide opportunities that Western Auto, [a Sears subsidiary since April 1988], can capitalize on."

Layoffs and store closings in retailing will help fill the pool of prospective franchisees, he said, as laid off managers cast about for ways to use their talents and invest severance pay packages.

In addition, motorists tend to keep their cars longer in hard times and as a result need more parts and maintenance.

Western Auto sees a potential of 500 to 600 franchised Auto America stores, Hutchens said. For 1991, it is seeking 15 candidates to purchase the first franchises for an upfront fee of $25,000, plus royalty fees of 5% of sales.

Western Auto expects to complete construction of the first Auto America franchised store in Marion, Ind., by early March, even though it has yet to sign a franchisee.

Western Auto prefers to pick the site based on sound market analysis and then find a franchisee to invest in and

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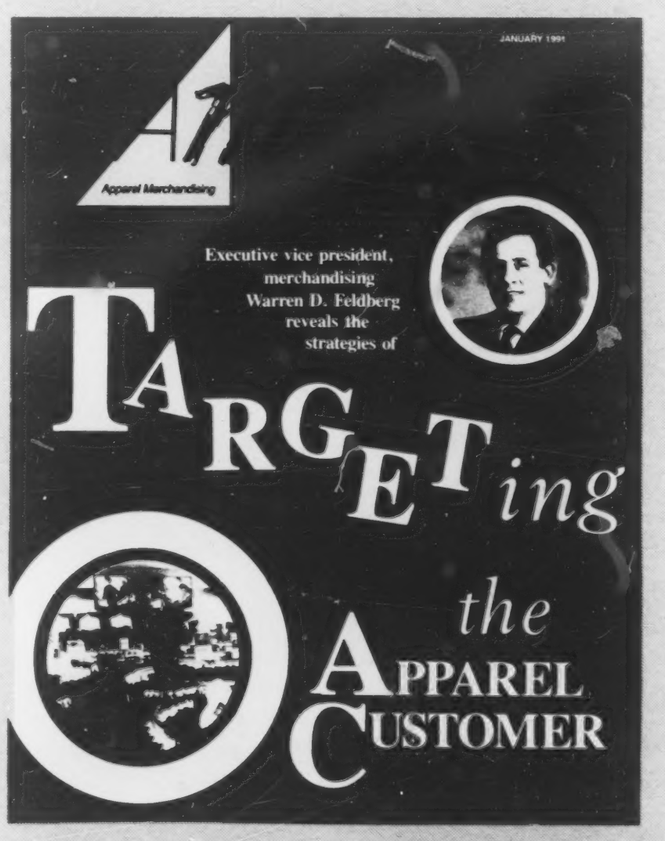

Apparel Merchandising, a new six times a year supplement of DSN, makes its debut this issue with a cover story on Target Stores. The special section begins after page 22.

MARKETWATCH

Stuarts Shutters Three Stores

FRANKLIN, Mass. — Stuarts, which filed Chapter 11 last month, has closed three of 23 stores. They were in Lawrence and North Weymouth, Mass., and its single Connecticut unit in New Britain.

Kmart Foresees Drop in '90 Sales

TROY, Mich. — Kmart, blaming poor apparel sales and extensive department store discounting during the holiday season, said its fourth quarter and 1990 sales will fall below 1989 levels. Before taking a charge for store remodeling, Kmart earned $396 million in the fourth quarter of 1989 and $745 million for the year ended Jan 31, 1990. After the charge, however, Kmart reported a fourth quarter loss of $20.5 million and 1989 earnings of $322.7 million. Previously, Kmart reported that same store sales dipped 1.5% in November, 1990, and rose 1.2% in December.

Bargain Town Parent Files Bankruptcy

MONTGOMERY, Ala. — Enstar Group, parent of the Bargain Town USA dollar store chain, has declared Chapter 11 and plans to shutter an undisclosed number of its 732 specialty retail stores. In addition to 72 Bargain Town USAs, Enstar also operates 373 Shoe City shoe stores and 287 Simply 6 and Max 10 off-price apparel stores.

Discounter Picks Winner in Sweepstakes

WILSONVILLE, ORE. — Anna Shelley, 74, was the winner of a $17,000 Subaru station wagon in a sweepstakes sponsored by G.I. Joe's, the discounter based here. Shelley's entry was chosen from more than 125,000 entries in the Subaru Sweepstakes, which ran last fall. According to Shelley, the only thing she had ever won before was a casserole pie plate.

Principals Affirm Jamesway's Survival

SECAUCUS, N.J. — A large number of Jamesway shares were recently bought by its chairman Herbert Fisher and Floyd Hall, one of the company's directors. Analysts saw the move as an affirmation by the two executives that the retailer would survive its current fiscal woes. The chain has reported declining earnings for the last three years. In addition, no new president has been named since Arlie Lazarus resigned last summer.

Unrine Resigns as Prez of Hit or Miss

FRAMINGHAM, Mass. — Thomas Unrine has resigned as president of Hit or Miss, the off-price apparel chain operated by TJX Cos. The company also reported that Hit or Miss' performance "continued lower than had been anticipated." Sales for its other divisions, T.J. Maxx and its Chadwick's catalog, continue to run strongly, the company said. Sales for TJX overall for the four weeks ended Dec. 29, 1990, were $239 million, up 19.4% over the same period a year earlier. Bernard Cammarata, president and ceo, said that a search for a new president at Hit or Miss would begin immediately.

Conair Purchases Intra-Sonics Products

CHICAGO — Conair Corp. purchased two existing products and one product in development from Los Angeles-based Intra-Sonics Laboratories at the start of the Housewares Show. Sonassage is a massager that makes use of sound waves, while California Facial is a skin cleanser which uses the same sound wave technology. Both products were in test at retail for four months and already have shown "phenomenal sell-through," said Lee Rizzuto Jr., Conair vp, new products. Conair also purchased Sonaderm, a skin therapy cleaner for teenagers, which has not yet been introduced to the retail market.

McAlear to Head Kmart's Pay Less

TROY, Mich. — Kmart promoted Tim McAlear to president and ceo of its Pay Less Northwest drug store chain. Since 1987, McAlear served as executive vp and coo. He replaces Ron Schiff, who resigned for personal reasons. Pay Less operates 320 drug stores in nine western states.

A New Target Exclusive

Merona Sportswear Collection Debuts Next Month

MINNEAPOLIS — Target Stores is developing and designing an exclusive line of sportswear under the Merona label. The discounter will begin marketing a full complement of Merona products throughout the chain beginning in February, according to Warren Feldberg, executive vice president, Target Stores.

Merona established itself as a colorful department store label of weekend and casual wear. Now, the label will be available only at Target. This is the first time Target is working with an established brand name to create an exclusive line for its 420 stores.

Feldberg reported that the deal had been in development for over a year. In its licensing agreement with Oxford Industries, Target will take on the designing and marketing of all Merona apparel and accessories.

"It is an unusual move and that's why we're so proud of it," Feldberg said. "We have been staking out our position in the market and continuing to build our strategy—to upgrade our merchandise while still giving our customers the best value. With Merona, we've upgraded our top of the line merchandise, but will continue to offer the value component to our customers."

Merona joins Target's other successful store brands including Honors, Elliot Bay and Greatland.

Feldberg reported that the line will be merchandised in strike points in the women's, men's, boys' and girls' departments in the chain. The spring collection that will be introduced in February includes women's, men's, boys' and girls' apparel, casual footwear, handbags, belts and hosiery.

> ***'With Merona, we've upgraded our top of the line merchandise, but will continue to offer the value component to our customers.'***
>
> **Warren Feldberg, exec. vp, Target**

Merona began designing weekend wear in 1978 and concentrated on color, detail, function and 100% natural fibers.

"It's a fresh look with classic appeal. We're confident our Target customers will appreciate Merona's quality and versatility," said Karolyn Wangstad, vice president of trend merchandising, Target. Merona label merchandise will tie into a key seasonal trend theme and will be color coordinated.

For a fuller look at Target's apparel merchandising strategies, see the *DSN's Apparel Merchandising* cover story inside this issue.

Case Studies on Tap at QR Confab

NASHVILLE, Tenn. — Case studies and the inside 'dope' on retailer-vendor relationships that are the key to QuickResponse will be the main topics of discussion at the QuickResponse 91 conference to be held March 26 to 27 at the Opryland Hotel here.

The case studies include:

- Target's implementation of a QR program with Procter & Gamble, detailed by Paul Singer, Target's vp of merchandising, planning & control and Bob Cook, Procter & Gamble's product supply manager. It will be presented March 26 at 1:30 p.m.
- Carter Hawley Hale's program with Hanes Hosiery. It will presented March 26 at 11 a.m. by Serena S. Kokjer, CHH's vp, information management and Eric Wiseman, Hanes' vp of administration & distribution.
- Dayton Hudson's chainwide implementation, will be discussed March 27 at 8 a.m. by Karen Failes-Coad, senior buyer; Edward Garvey, director of soft goods distribution, and Clyde Nelson, EDI/UPC administrator.
- Home Depot's efforts as an illustration of hard lines QR. Peter Cleaveland, Home Depot's vp, traffic and distribution, will talk March 27 at 11 a.m.

The insight presentations include:

- "The truth about QR implementation," discussed March 26 at 3:15 p.m. by Bob Martin, Wal-Mart's senior vp, management information services.
- Actual QR partnership results achieved by Target and VF Corp. Jane Lucas, Target's QR manager and Ellen Rohde, VF Corp.'s director, marketing responsiveness system, will report on the results March 26 at 1:30 p.m.

Other seminars include:

- QR support technologies, detailed by Ray Heflin, Dillard's director, QR, and Jeff Osborne, Hand Held Products', director of marketing, March 26 at 1:30 p.m.
- How to start to implement QR, discussed March 26 at 3:15 p.m. by Donna Hare, Strawbridge & Clothier's director of merchandising planning and Sam Williams, Vanity Fair's director of QR.
- Impact of carton marking and EDI standards on distribution, discussed March 26 at 2:45 p.m. by William Cobb, principal, distribution service group, Kurt Salmon Associates and Gary Stump, Polo/Ralph Lauren's vp, distribution.
- Relationship issues among retailers, vendors and trucking companies. Bruce Richmond, partner, logistics practice, Andersen Consulting; Jim Hansen, Consolidated Freightways' manager, MIS, and Braxton Vick, Carolina Freight's senior vp of corporate services will examine the issues March 27 at 8 a.m.

QuickResponse 91 is cosponsored by VICS and AIM USA. Information and reservations are available from AIM USA, (800) 338-0206.

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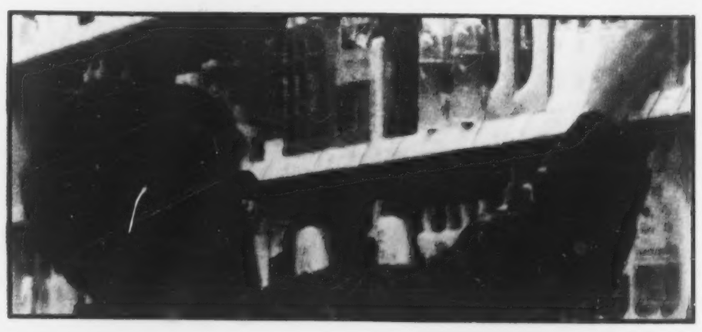

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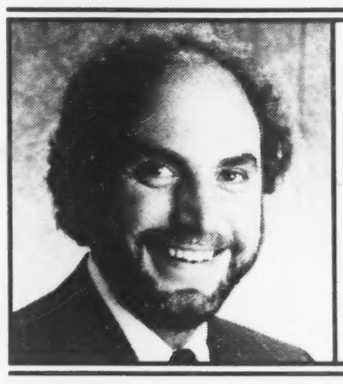
EDITORIAL

A Word Retailers Can't Live Without

I am haunted by a four-letter word. And I'm sure it causes a queasy feeling for many retailers as well. The more retailers use this word, the more dependent they become on it, and the harder it is to break the habit—although many retailers wish they could. Shoppers love this word—and just can't seem to get enough of it. They crave it, they dream about it, they can't live without it. And no matter how hard retailers try to wean shoppers, they can't. They succumb—for better or worse.



TONY LISANTI
Editor

The word—if you haven't already guessed—is sale. Retailers are implementing every gimmick they can in hopes of generating business.

Most shoppers don't understand the difference between an everyday low price, a sale price, a special purchase or a limited offer. It's all gobbledygook to them.

Shoppers also don't distinguish between retail concepts and strategies the way retailers and observers do. The average shopper doesn't know the difference between an off-price apparel store or discount department store or a specialty discount store or a regular department store. However, shoppers do identify concepts that offer the best price or the best service!

The closer it got to Christmas, the more retailers slashed prices. Meanwhile, shoppers waited for prices to dip lower.

Consider the comments by columnist Kathleen O'Brien in the *Bergen Record*, a daily newspaper in New Jersey: "Holding the after Christmas sales before Christmas has a great deal to recommend it, and we're giving retailers notice right here and now that we want the same thing to happen again next year."

O'Brien continued, "As shoppers, the bargain slide rule in our minds has been altered so drastically that we have a brand new set of calculations for what constitutes a real find:

- 10% off—Not worth pulling into the parking lot.
- 20% off—Won't even break stride to check out the goods.
- 30% off—Well, now at least we aren't offended.
- 40% off—That's more like it.
- 50% off—Now we're talking.
- 60% off—Why didn't you price it this way in the first place and save us both the aggravation?"

It's a Catch-22. Retailers can't live without the four-letter word; neither can consumers. You can't fool a smart shopper.

BUYERS & SELLERS

Considering Consumer Goods as Services

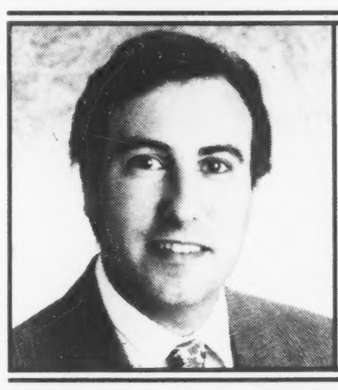
One of the "most fascinating" business ideas for 1991, according to *Fortune* magazine, is a management idea that posits that there are no products—only services.

This philosophy, as described by a professor at the Harvard Business School, encourages companies to think of every product they buy or sell as a service. For example, Toyota formed a partnership with IBM to track the maintenance record of every Lexus it sells.

Such a partnership shows that the manufacturer is not selling a car, but dependable transportation. The automobile is just one of many services the dealer can offer.

This orientation should be used more effectively in discount retailing. Such an orientation starts out with a predisposition toward customer service. A manufacturer makes a product that fulfills an identified need in the market, rather than making a product and then looking for people to buy it.

The real power of this concept comes into play when every company along the entire product distribution pipeline makes servicing the customer the ultimate goal. This "supplier integration," as it's called by one consulting firm, creates alliances where value is placed on long-term, mutually beneficial relationships.



DON LONGO
Exec Editor

"Companies that think of the products they buy and sell as services can look for economies in the whole transaction, not just on the assembly line," says Thomas Stewart of *Fortune*. "Buffer inventory may virtually disappear in a just-in-time system. Or new products may be conceived when the manufacturer thinks not just about what it makes but also about how its customers use it . . . "

Most consumer goods can be thought of as services. Home computers and other home office products are sold more for the service, or problem they solve, than for the actual hardware. A company doesn't manufacture a computer; it delivers a service that helps the end user manipulate information. A microwave oven is less a machine for cooking food than it is a special service that fulfills a need for many millions of time-pressed Americans.

This concept is a natural progression from Quick Response. Under Quick Response, retailers and manufacturers are redefining their relationships. Retail buyers now work more closely with suppliers to reduce the total cost of procuring raw materials, assembling and shipping product to their stores. When these products are thought of as services, greater benefits will be realized.

WASHINGTON REPORT

Court Case Puts Parallel Imports in Jeopardy

An old problem—the prospect of crippling government restrictions on parallel imports—will be a serious threat to the discount store industry again this year.

The immediate concern for the government affairs crew at the International Mass Retail Association: a court case pending in Washington that could open the door for multinational manufacturers to monopolize the distribution of their products throughout the United States.

KEN RANKIN

That case—an effort by Lever Bros. to curb imports of their own soaps and dishwashing detergents by "unauthorized" independent distributors—is hardly the first legal attack on parallel importing. However, the Lever Bros. case features a fresh twist, and a new danger to U.S. discounters and other retailers who rely on parallel imports. Lever, however, is arguing that the soaps which are being parallel imported from the United Kingdom are a physically different product from those that they sell here, even though they bare the same trademark. In seeking an exclusion order, the company is not challenging parallel imports as a violation of the U.S. Tariff Act—the route taken by other gray market foes. Rather, Lever is trying to use federal trademark law to curb independent "unauthorized" importers.

For discounters who depend on parallel imports as an important supply source, a wrong ruling in the pending soap case could cause some slippery footing in the marketplace. Foreign manufacturers bent on short-circuiting parallel imports could simply make some minor cosmetic change in goods destined for sale abroad, and then, like Lever, claim that the parallel imports were totally different products.

That soapy legal challenge is only part of the campaign now being mounted against parallel imports here in Washington. IMRA fully expects Congress to jump into the fray early this year with new legislation to overturn pro-gray market rules.

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TRAFFIC BUILDERS

Everyday Low Price Strategies Take Hold

Discounters' low price message appears to have taken hold. According to DSN's annual Traffic Builders Survey, fewer shoppers were drawn by specific sale items last year, as everyday low price strategies became more prevalent in the industry. However, of those discount store shoppers who did see an ad before shopping, 75% made a purchase, and the total sales ticket, including all purchases, generated by promotional shoppers rose to $40. Of products that discount shoppers did see on sale, hair care and personal care items was the top traffic builder last year, according to the exclusive survey conducted for DSN.

TRAFFIC BUILDERS SURVEY

Focus on EDLP as Price/Item Ads Trimmed

The Fifth Annual Traffic Builder's Survey conducted for *DSN* by Chicago-based Leo J. Shapiro & Associates confirmed that discounters continued to pare price-and-item advertising during 1990, moving steadily toward everyday low pricing. Nonetheless, customers spent more, on average, during a promotion-driven shopping trip than in years past.

Last year was one of returning to retail roots: discounters emphasized commodities like paper goods and cleaning supplies, while department stores and merchants like Sears and JCPenney focused more on women's apparel, surrendering aggressive domestics promotions to the growing ranks of bed & bath specialty stores and direct mail retailers.

Overall, 1990 was a good promotional year for discounters. While roughly the same number of people responded to promotions as last year (75%), when they bought, they spent more dollars. The average purchase of consumers shopping for an ad item was $40, reflecting a fairly steady climb since 1987 when it was only $28.

Customers spent more when shopping a promoted category, but reduced advertising by retailers resulted in a steady decline in the number of consumers who knew of a sale before going to the store. In 1987, 70% knew of a sale before shopping at a given store; by last year it had fallen to 45%.

The top five traffic builders at discount stores during 1990 were hair care/personal care, household paper products, laundry products, household cleaners and women's jeans.

Candy—which was 1989's leading traffic builder among discount store shoppers—did not appear on the 1990 list because the survey was conducted in September instead of October when Halloween drives candy sales and promotions.

Promoting a category more did not necessarily result in consumers spending more. Hair care/personal care items were named as the advertised product the shopper was planning to buy at a discount store more than 9% of the time. While this reflects a 2% increase in the number of shoppers who were destined to buy this category, they walked out of the store spending less in 1990 than in 1989—$22 in 1990 compared to $27 in 1989.

The same was true of household cleaners where the average amount spent when shopping for this category on promotion declined by $10, to $24 in 1990.

In contrast, household paper products on ad generated the same customer traffic (7.9%), during the two years, but also resulted in increased spending on a marketbasket of goods in 1990. In 1989, an average of $33 was spent among shoppers responding to an ad for household paper products, compared with $39 in 1990.

The lower priced commodity items were generally more effective in getting shoppers to pick up additional merchandise. A discounter that advertised women's jeans and household paper products during 1990 could expect shoppers of either category to spend an average of $39 at the cash register, based on the study.

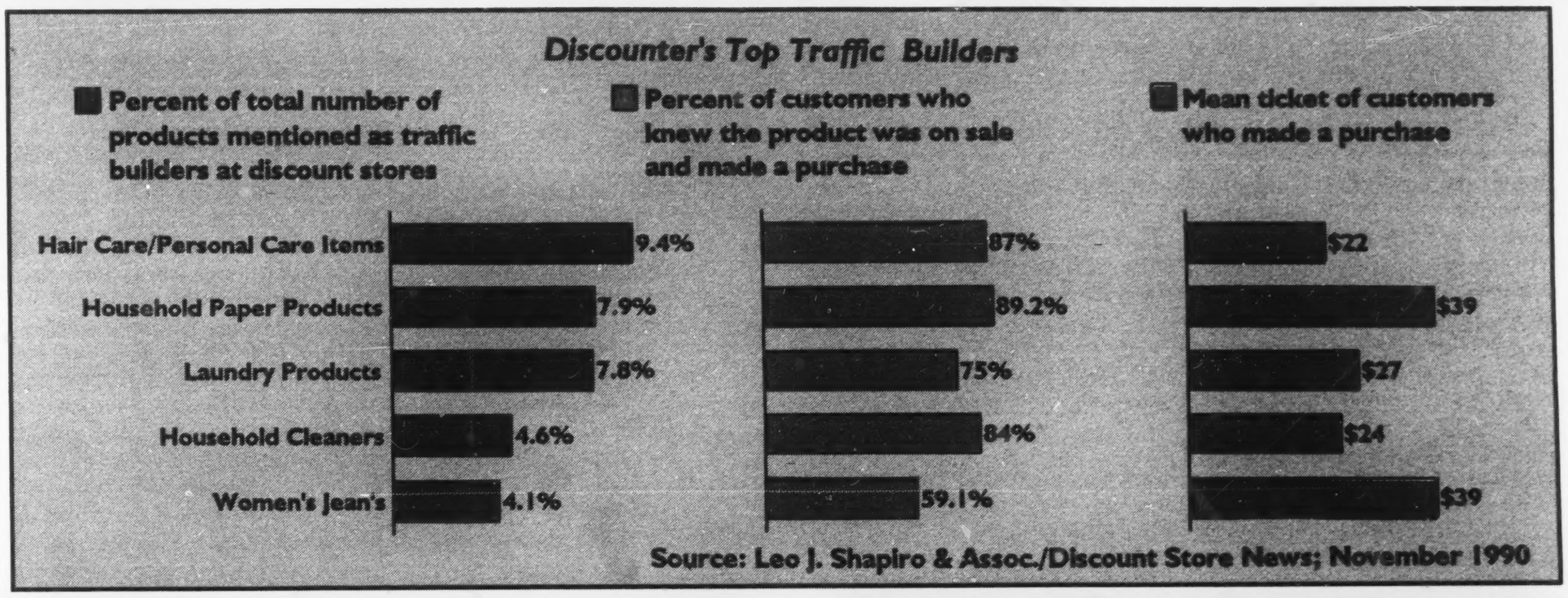
Department stores reclaimed many of the promotion-oriented women's apparel shoppers who had strayed to discount store channels during 1989. Department stores had put women's wear promotions on the back burner during 1989 when these retailers experimented with non-apparel categories with which other retailers were successful.

These non-apparel categories included home store items (mirrors, closet organizers and pictures), sheets, comforters, bedspreads and toys/games. This merchandise was named by shoppers as being items they had gone to the department store to buy in 1989, but were not instrumental in gaining store traffic in 1990.

The beefed-up promotions in women's apparel during 1990—whether through greater ad frequency, or sharper pricing or both—were evidenced by huge numbers of shoppers who said women's clothing ads were the magnets that drew them to the store. Nearly 65% of all advertising that made women decide to go to a department store was for women's apparel in 1990, up from 42% the previous year.

Women's apparel was also the promotional thrust at Sears, JCPenney and Ward in 1990. Roughly 63% of people who shopped at a mass retail outlet said women's apparel was the reason they had come to shop, up from 43% in 1989. The strongest surge in traffic

(Continued on page 20)



Discounters' Top Traffic Builders*

Hair Care/Personal Care Items draw the most traffic at discount stores.

Percent of total number of products mentioned by shoppers as traffic builders at discount stores:	
Hair Care/Personal Care Items (3)	9.4%
Household Paper Products (2)	7.9
Laundry Products (6)	7.8
Household Cleaners (5)	4.6
Women's Jeans (11)	4.1
Toys/Games/Dolls (4)	4.0
Home Care (e.g. mops, brooms) (—)	3.4
VCR Tapes (—)	3.2
Women's Shoes/Boots (18)	3.1
Sheets, Comforters, Bedspreads (8)	2.9
Food (e.g. spices, cookies) (7)	2.9
Women's Lingerie/Sleepwear (12)	2.7
Women's Sweaters (17)	2.0
Anti-Freeze (—)	2.0
Window Coverings (—)	1.9

Top 15 of 20 products mentioned; last year's ranking in ( ); new entries indicated by (—).

Source: Leo J. Shapiro & Assoc./Discount Store News; November 1990

Sears, Penney, Ward Top Traffic Builders

Women's blouse/shirts and women's clothing are the top traffic builders for mass merchants.

Percent of number of products mentioned by shoppers as traffic builders at mass merchants:	
Women's Blouses/Shirts	13.5%
Women's Clothing	9.5
Women's Dresses	9.5
Women's Dress Pants/Slacks	7.2
Women's Shoes/Boots	5.7

Source: Leo J. Shapiro & Assoc./Discount Store News; November 1990

Department Stores' Top Traffic Builders

Women's apparel took the first five positions.

Percent of total number of products mentioned by shoppers as traffic builders at department stores:	
Women's Clothing	14.4%
Women's Dresses	8.9
Women's Jeans	7.5
Women's Dress Pants/Slacks	6.8
Women's Lingerie/Sleepwear	6.3

Source: Leo J. Shapiro & Assoc./Discount Store News; November 1990

Dependence On Promotional Advertising

The promotional orientation of discount department stores, department stores, specialty stores, discount specialty stores and drug stores showed a decline this year.

Percent of shoppers who knew of a sale item before visiting store:		
Retailer	**1990**	**1989**
JCPenney	31.7%	60.2%
Montgomery Ward	29.0	61.9
Sears	17.9	47.8
Ames/Zayre	68.5	40.6
Target	51.0	48.6
Kmart	45.1	50.4
Wal-Mart	30.7	42.2
Discount Department Stores (Net)	46.9	55.6
Department Stores	39.7	47.0
Catalog Showrooms	6.7	51.4
Discount Specialty Stores	33.8	80.7
Specialty Stores	33.4	40.7
Drug Stores	16.5	49.4

Source: Leo J. Shapiro & Assoc./Discount Store News; November 1990

Everyday Low Pricing Eyed

(Continued from page 19)

building strength came from women's blouses/shirts which more than doubled over 1989.

Mass merchandisers were also similar to department stores in domestics. Like department stores, mass merchandisers sharply decreased 1990 promotions of sheets, comforters and bedspreads.

The changes in brands consumers sought on promotion in September 1990 as compared to October 1989 are indicative of just how powerful promotions by high recognition brands can be. Brands which do not appear in one year's results can top the charts the following year, especially when the maker is large enough to work with a broad base of chains in a cooperative advertising program.

Procter & Gamble's Tide laundry soap, for instance, was far and away the promotional brand leader in the 1990 study due to extensive advertising by both the retailer and the maker. Several special promotions were in effect when the interviews were being conducted.

Similarly, Rubbermaid was not on the 1989 roster but was the second most often named brand by consumers as the one they saw advertised.

Retailer promotions for the back-to-school season, coupled with aggressive expansion of the Gitano Shop concept led shoppers to say that Gitano jeans was the reason they went to the discount store.

Increased advertising of hair care/personal care, household paper and household cleaners resulted in many more of these brands being mentioned by customers as the reason they had gone to shop. The brands that appeared on the 1990 top traffic builder brands that were not among 1989's leaders include: Angel Soft, Dial, Ivory, Cover Girl, Lysol, Sparkle, Vidal Sassoon and Alberto.

Last year marked a move by many retailers away from promotion-driven selling, toward EDLP, based on the lower number of consumers who said they were drawn to the store by a sale. The same percentage responded to promotions as they did in 1989 (about 75%), so the declines listed on the Dependence on Promotional Advertising table reflect cuts in retail ad expenditures.

While exceptions such as dollar stores and certain regional chains maintained or increased their promotional spending, most made huge cuts. Department stores, mass retailers, discounters, catalogers, specialty and drug stores were all part of this shift away from promotion-driven selling.

The articles in this special section were written by the *DSN* staff. *DSN*'s fifth annual Traffic Builders Survey is based on personal interviews with 2,501 shoppers exiting discount department stores and other types of retailers in seven markets in the major geographic regions in the United States.

The study was conducted by Leo J. Shapiro & Associates, Chicago, between Sept. 13 and Sept. 23, 1990. Those shoppers had made visits to a total of 4,027 stores. Among shoppers at a discount department store, 45% knew of an item on sale before making their trip that day. Overall, 38% of the visits made to any store that day were encouraged by the shopper's knowledge of a sale. This is significantly lower than the 54% that was found in 1989.

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ALL VEGETABLES
ALL GARDEN PLANTS

Discounters Top Traffic Builder Brands*

Tide, Rubbermaid and Prestone led the list of top traffic builder brands.

Percent of total number of brands mentioned by shoppers as traffic builders at discount stores:

Tide	11.5%
Rubbermaid	5.1
Prestone	4.2
Gitano	4.1
Sasson	3.5
Fisher Price	3.5
General Electric	3.4
Angel Soft	3.3
Dial	3.2
Ivory	2.9
Cover Girl	2.6
Lysol	2.5
Sparkle	2.3
Vidal Sassoon	2.2
Kleenex	2.1
Hanes	2.0
Amoco	2.0
Mattel	1.9
Clorox	1.9
Alberto	1.8

*Top 20 of 50 brands mentioned.

*Source: Leo J. Shapiro & Assoc./*Discount Store News; *November 1990*

The power of promotions

Nothing warms a retailer's heart more than the sight of a crowded selling floor. In fact, packing in customers is arguably the single most important duty of any merchant.

But that's easier said than done. In fact, despite a good deal of talk to the contrary, price promotions remain a primary tool that retailers use to lure the throngs.

As it turns out, apparel ads are among the most effective traffic builders, according to an exclusive study by Leo J. Shapiro & Associates. *(See more Traffic Builders reports elsewhere in this issue.)*

Women's jeans are the leading traffic draw in the apparel category among consumers who said they were drawn to a discount store because of a published promotion. On the average, shoppers who are brought in by women's jeans advertising spend $39—although not necessarily on jeans—in the store.

Women's jeans are the leading apparel draw among discount store shoppers who saw ads for the classification.

Women's intimate apparel—lingerie and sleepwear—places second in mentions, spurring consumers to spend $33, while women's sweaters are the next best apparel traffic draw. Consumers who see sweater advertisements spend $33 on average. Next on the apparel list is women's shoes and boots, which generate median sales tickets amounting to $31 among those at discount stores. The fifth top apparel traffic builder is women's accesories. This category also generates an above-average total spending ticket of $50.

It will no doubt please retailers to know that all these classifications not only bring in shoppers, but in many cases the customers are prompted to purchase the items that they see advertised.

For instance, those shopping for women's shoes and boots may have spent only $31, but a full 74.3 percent of those drawn in by a shoe promotion actually purchase the shoes. More than 81 percent of those corralled by intimate apparel purchase the sale item. About the same number of those responding to women's blouse promotions buy them. Seventy-one percent of those attracted by sweater ads purchase these tops.

Surprisingly, women's jeans don't fare quite as well. Just over 59 percent of the shoppers who come to a store after seeing advertisements for women's denim end up buying jeans.

Chains' circulars and other promos featuring apparel are substantial traffic builders, according to an exclusive Leo J. Shapiro/*DSN* survey.

Other apparel classifications also prompt good sales of promotional items. It is almost astonishing that all of the respondents who mentioned jogging suits as one of the items they see promoted have purchased one due to that promotion.

Over 89 percent of those who knew of a men's underwear sale say they got the product that they saw on sale. Underwear generates $42 in sales tickets.

In general, a higher percentage of discount store shoppers actually purchase promotional items than those who shop in other retail outlets. A full 75.4 percent of discount store shoppers say they made the purchases in all the categories that they came into the retailer to see. Only 56.5 percent of those shopping department stores actually made purchases of the sale items. At mass merchants—Sears Roebuck and Co., JCPenney and Montgomery Ward—the figure is 49 percent.

While the top apparel classifications were not the leaders in producing the highest total tickets, the clothing category as a whole does, in fact, lead the list of the top sales tickets.

Shoppers who see women's apparel advertisements and make purchases of what they see advertised will spend, on ►

Customer Purchases of Apparel Traffic Builders

Product Category	Percent of Shoppers Who Bought a Product They Knew Was On Sale	Mean Ticket of Those Who Bought the Sale Item*	Percent of Mentions by Frequent Shoppers at All Stores**
Women's Jogging Suits	100.0%	$46	52.4%
Men's Underwear	89.0	42	66.9
Infants'/Toddlers' Clothing	81.9	33	60.9
Lingerie/Sleepwear	81.7	33	72.6
Women's Blouses/Shirts	80.7	42	52.0
Children's Clothing (size not specified)	78.2	64	36.3
Women's Shoes/Boots	74.3	31	71.0
Women's Outdoor Coats/Jackets	73.6	56	35.6
Women's Sweaters	71.0	33	44.5
Men's Shoes/Boots	69.3	60	68.9
Women's Dress Pants/Slacks	68.0	46	46.3
Women's Accessories	64.2	50	46.5

*Source: Leo J. Shapiro & Assoc./*Discount Store News*; November 1990.*
** Could include other items as well as sale items.* *** Customers who shopped store at least twice a month.*

average, $104 in total purchases.

The high sales ticket on women's clothing probably means a complete outfit is being bought. Because the clothing may be more expensive, the total may include fewer items.

Perfume is a distant second, with $83 spent on this category by shoppers who knew of a promotion and make the purchase.

The study found an average of $40 is spent among all shoppers surveyed.

Many apparel classifications garner sales tickets above this average at discount stores.

In specific women's product areas, women's dresses capture a sales ticket of $66, while women's coats and jackets come in at $56.

Children's clothing spurs spending of approximately $64. In the infant/-toddler range, shoppers spend a little less, $33.

In men's wear, shoes and boots garner about $60. Men's shirts also do well, with $50 in total sales tickets in this category.

Compared to 1989, the two apparel categories most mentioned in the 1990 survey made the biggest jump from '89. Women's shoes and boots rank fourth overall in 1990, but were 13th in 1989. Women's jeans also moved up several notches. Jeans, fifth in 1990, were only tenth in the ranking list in 1989.

The largest drop in ranking occurred in women's accessories. That category was ranked seventh in 1989 but 22nd in 1990.

At department stores and mass merchants the categories vary only slightly. Women's blouses and shirts lead the apparel category among the mass merchants, followed by women's dresses, casual pants and slacks, women's shoes and boots, and the lingerie/sleepwear classification.

At department stores, women's dresses are most often mentioned by shoppers who see a promotion on the items for the store. This is followed by women's jeans, women's casual pants and slacks, women's shoes and boots, and men's shirts.

Gitano is the most mentioned apparel label by consumers brought into stores by a sale. A full 16 percent of all discount store customers say a Gitano promo lured them into the store.

When asked to name brands specifically, Gitano is the most often mentioned apparel label among customers brought into any kind of store by a sale. Overall, Gitano is the fourth most mentioned brand among discount, department and specialty shoppers when considering all product categories. That represents a tremendous increase in positive responses for the brand since 1989. Gitano was mentioned in 1989's survey, but only managed a rank of 43 for 1989.

A full 16 percent of all discount store respondents say Gitano is the brand that they were shopping for on promotion.

Sasson, sixth when considering all retail outlets and fifth among discounters, follows second behind Gitano in the apparel category. However, in a sense Sasson made the biggest leap in terms of brand mentions by shoppers compared to 1989. It is high on the list for 1990 but was not mentioned at all in 1989.

Jordache, third; Hanes, fourth; and Chic, fifth; round out the top five apparel brands mentioned most often by discount shoppers who came to the store after spotting an ad.

Levi's is another brand that also ranked well overall, coming in tenth, but it only ranks 45th among discount stores. This is due to its prevalence among department store and mass merchants, where it leads in terms of brands mentioned by shoppers. Its low standing among discount shoppers is not surprising because Levi Strauss, by policy, doesn't sells its Levi label goods in that distribution tier. Instead, the company uses the Brittania labels to address discount stores.

The biggest fall was taken by Lee. It was the number one brand mentioned in 1989, but surprisingly is only 21st in 1990.

In trying to determine the success of promotions of both brands and categories, one of the questions the survey poses to shoppers is the frequency with which they visit the various kinds of stores.

Of all the customers queried at discount stores, 77.2 percent say they shop the stores often. This figure and the figures reported by individual stores show that shoppers still expect a bargain at discounters and actively go looking for them. To a large extent it remains a price-driven tier.

Published promotions appear to offer consumers at other types of stores less incentive to shop. Only 31.6 percent of shoppers at mass merchants who were brought in by a sale say that they shop there often. At department stores, only 37.5 percent of shoppers go there often.

At discount stores specifically, the three leading classifications that cause consumers to change their shopping patterns are women's dress pants, women's sweaters, and women's jogging suits.

A greater number of infrequent discount store shoppers say that these categories are the ones that attract them to a store via an advertisement.

Of the shoppers interviewed for the study, Ames customers seem to be the most promotion-aware, followed by Target and Kmart.

At the financially squeezed Ames, 68.5 percent of shoppers know of a sale item before visiting the store, according to the Shapiro poll. At the same time, 53.8 percent of those say they shop the store often.

Of those shoppers visiting a Target, 51 percent know of a sale and 87.6 percent of them shop there often. At Kmart, 45.1 percent of the consumers are aware of a sale, and 80 percent see themselves as visiting the store frequently.

Wal-Mart's everyday low pricing strategies appear to be paying off. Among full-line discounters in the survey, Wal-Mart had the smallest percentage of shoppers drawn to the store because of a specific sale item, 30 percent; yet a full 87.7 percent of those people say they shop there often.

At discount specialty clothing stores, 36.4 percent of shoppers say that they are aware of a sale before they visit the store, and 67.8 percent of them also say that they shop there often.

The survey also found that women are more responsive to promotions than men. As might be expected, older shoppers, of both sexes, are more aware of promotions.

In an ideal retailing universe, merchants would be able to induce consumers to make their purchases at full price. Realistically, however, promotions remain an intrinsic part of successful merchandising. ◢

Top Apparel Traffic Builders by Outlet

Product Category	Percent of Total Mentions at All Stores	Discount Stores Percent of Mentions in Category	Mass Merchandisers Percent of Mentions in Category*	Department Stores Percent of Mentions in Category
Women's Shoes/Boots	4.4%	51.4%	7.0%	8.4%
Women's Jeans	4.0	74.1	—	11.3
Women's Blouses/Shirts	3.5	29.4	20.8	8.3
Women's Lingerie/Sleepwear	2.9	65.9	7.5	12.9
Women's Sweaters	2.5	57.6	8.9	24.6
Women's Clothing	2.4	30.5	21.5	36.1
Women's Dress Pants/Slacks	2.3	37.1	17.1	18.0
Women's Dresses	2.3	1.7	22.7	23.6
Jogging/Tennis/Gym Shoes	2.2	21.1	10.5	3.4
Infants/Toddlers' Clothing	1.9	39.5	15.2	—
Men's Shirts	1.5	36.0	14.4	23.9
Women's Accessories	1.5	45.8	14.6	9.7

Source: Leo J. Shapiro & Assoc./Discount Store News; *November 1990*
**Includes Sears Roebuck and Co., JCPenney and Montgomery Ward.*

TRAFFIC BUILDERS SURVEY

New Shoppers Baited by Ads But Not Biting

Discount, drug, specialty and department stores were generally able to both increase the percentage of their customers who walked out of their stores with a promoted item and boost the average number of dollars spent at the register during that shopping trip.

However, the consumers making these purchases are loyal customers, those who probably would have shopped at the store even if there was not a sale in progress.

Based on *DSN's* Fifth Annual Traffic Builders survey findings, some retailers were unable to get new shoppers to make the buy, even if effective advertising lured consumers into the store.

For Sears and JCPenney, both the percentage of customers who made a purchase and the amount ad customers spent declined. Reasons for successful versus unsuccessful promotions rest primarily on the retailer's in-stock positioning and selection.

Target was the most effective individual retailer studied in terms of its ability to sell the merchandise it promoted. The average discount industry sell-through rate for customers who went to buy a sale item and actually walked out the door with the merchandise is 75%. Target, which had a below average purchase level in 1989 (70.4%) made an enormous turnaround last year, exceeding Wal-Mart in its ability to make the sale.

As the number of people who walked out of Target stores with a sale item rose to 88.6%, the average ticket also jumped by $10 to $46, exceeding all other full-line discounters studied.

In-stock positioning could be one factor in Target's success; the chain recently fortified its distribution system to stores.

Wal-Mart ad shoppers had the largest mean ticket increase of all types of retailers with the exception of department stores. The average cash register receipt of ad shoppers rose by $17; department stores were up by $30. Sales of higher-ticket goods and more add-on purchases led to these dramatic increases.

Kmart, while still below the industry average in both mean ticket and percentage of customers who purchased an ad item, had improved over 1989. More attention to in-stock positioning, especially on advertised merchandise, has aided the chain's sell-through.

Discount specialty stores were unable to achieve the 92.4% sell-through rate enjoyed during 1989, the highest of all retail channels. Still, those who did buy the sale item doled out an average of $20 more at the cash register, making discount specialty chains second only to department stores in 1990.

Drug stores, which typically have low mean tickets at the cash register to the frequently low price of health & aid products, were able to boost the

(Continued on page 26)

Total Ticket Generated By Traffic Builders At Retailers

Target and Wal-Mart shoppers were more likely to make a purchase than those shopping at other chains.

Store Shopped by Shoppers Who Knew a Product Was On Sale	Percent Who Made A Purchase	Mean Ticket
Target	88.6%	$46
Wal-Mart	86.0	41
Kmart	71.6	38
Ames	64.9	23
Montgomery Ward	63.0	75
Sears	47.0	39
JCPenney	39.6	46
Discount Dept. Stores (net)	75.4	40
Discount Specialty Stores (net)	68.8	57
Specialty Stores (net)	70.2	48
Drug Stores	66.8	14
Department Stores	56.5	79

Source: Leo J. Shapiro & Assoc/Discount Store News; November 1990

Tickets Generated By Traffic Builders At All Retailers

Product That Shopper Knew Was On Sale	Percent Who Made a Purchase	Mean Ticket
Low Cost Items		
Automotive	62.8%	$ 79
Home Care (e.g. mops, brooms)	89.7	68
Plants/Indoor/Outdoor	50.0	56
Pillows	58.3	54
Kitchen Plastics	80.6	44
VCR Tapes	84.6	42
Underwear	89.9	42
Film	100.0	40
Household Paper Products	89.2	39
Motor Oil	88.8	34
Middle Cost Items		
Women's Clothing	34.6%	$104
Perfume	49.5	83
Children's Clothing	78.2	64
Men's Shoes/Boots	69.3	60
Jogging/Tennis/Gym Shoes	63.4	53
Bath Towels	95.0	51
Cookware	87.3	51
Women's Accessories	64.2	50
Sports Equipment	58.6	50
Men's Shirts	58.7	49
High Cost Items		
Women's Dresses	57.0%	$ 66
Women's Outdoor Coats/Jackets	73.6	56
Nintendo	76.1	53
Window Coverings	62.4	52
Women's Dress Pants/Slacks	68.0	46
Women's Sportswear	57.7	45
Women's Jeans	59.1	39

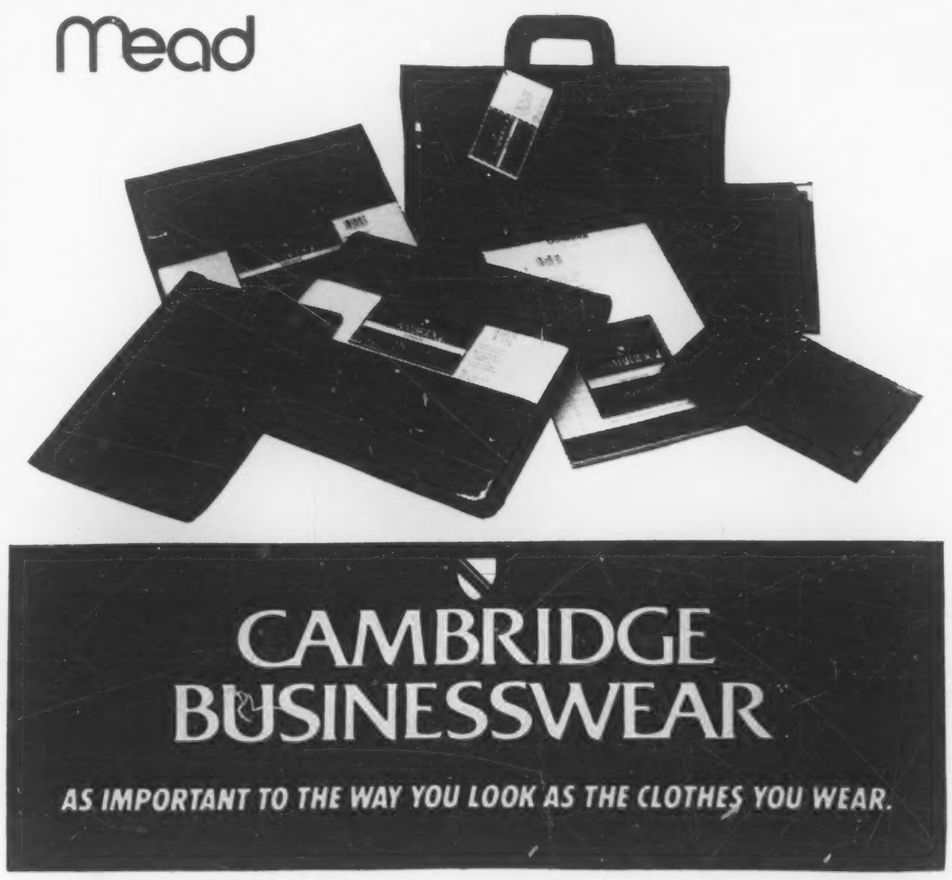
Source: Leo J. Shapiro & Assoc/Discount Store News; November 1990

Effectiveness Of Product Promotions In Attracting New And Infrequent Discount Customers

All Who Knew of a Sale Item And Were Coming to Shop For:	Customers Who Shop at This Store	
	Not Often*	Often
Soda Pop	68.3%	31.7%
Women's Dress Pants/Slacks	63.5	36.5
Anti-Freeze	53.5	46.5
Pillows	51.5	48.5
Cat/Dog Food/Pet Supplies	48.4	51.6
Jogging/Tennis/Gym Shoes	46.2	53.8
Women's Jogging Suits	45.1	54.9
Women's Sweaters	44.9	55.1
Motor Oil	44.7	55.3
Plastic Kitchen Items	40.6	59.4
Window Coverings	37.2	62.8
Men's Shirts	34.4	65.6
Home Store (e.g. mirror/closet organizers)	33.8	66.2
Women's Outdoor Coats/Jackets	33.6	66.4
Fabric/Material	32.5	67.5
Men's Underwear	32.4	67.6
Women's Sportswear	32.4	67.6
Women's Jeans	31.6	68.4
Costume Jewelry	31.4	68.6
Candy	31.2	68.8

*Defined as shopping less than twice a month or more.

Source: Leo J. Shapiro & Assoc/Discount Store News; November 1990



TRAFFIC BUILDERS SURVEY

New Shoppers Were Baited by Ads In 1990 but Could not be Hooked

For Sears and JCPenney, both the percentage of customers who made a purchase and the amount ad customers spent declined. Reasons for successful vs. unsuccessful promotions rest primarily on in-stock positioning and selection.

(Continued from page 23)

average ticket to $14, up $6 over 1989. The expansion of drug stores into food, stationery, housewares and other categories is key to this change.

• New/Infrequent Shoppers

While most discounters and drug stores generally were able to get more consumers to part with their money through promotions, the people they attracted were frequently customers that would have shopped the store anyway.

Mass merchandisers, catalog showrooms, department stores and specialty stores drew more new customers with their ads than discounters. (The high cataloger figures reflect response to both regular catalog distribution and special seasonal promotions.)

The good news is, discounters have established a loyal shopper base that is responding to everyday low pricing. The bad news is, the ad dollars discounters are spending and the gross margin reductions are apparently unnecessary in some instances, boosting store traffic by only 12% at Target and Wal-Mart, and by 22.8% for the discount industry as a whole.

JCPenney and Sears were both able to attract a large number of new shoppers, but they had less than a fifty-fifty chance of making a sale even after getting the customer into the store.

The merchandise discounters evidently chose to be their traffic generators—hair care/-personal care, household paper, laundry products and cleaning products—satisfied their loyal customers and kept them coming back, but did little to expand the store's shopper base.

Topping the list of products that will get a new or infrequent customer into the store was soda pop. Nearly seven out of 10 people responding to an ad for this category would not otherwise have entered the store. Unfortunately, while soda pop is good at attracting new customers, it was not frequently mentioned as the product promotion that would get most consumers into the store.

The merchandise that pulled new shoppers into the store last year were home store items, domestics and kitchen appliances.

Women's dress pants/-slacks, antifreeze and pillows were also among the categories that had a high incidence of attracting new and infrequent shoppers in 1990. Based on the average dollars spent when shopping for these items, however, these are the products that are more likely to be cherry-picked rather than resulting in add-on sales volume.

Despite retailer efforts to draw shoppers of women's clothing—especially department stores and mass merchandisers—many of the products that fall into this category did not result in a very high sell-through rate, and a low mean ticket.

For example, only 57.7% of customers responding to a sale on women's sportswear bought this merchandise and spent an average of $45, less than those who shopped for mops and brooms, plants, perfume, cookware and women's accessories, to name a few.

*Attracting New And Infrequent Customers**

Percent of infrequent shoppers who knew of a sale item before visiting store:

Retailer	1990	1989
JCPenney	73.4%	76.6%
Montgomery Ward	64.6	70.2
Sears	62.5	69.1
Ames	46.2	57.9
Kmart	20.0	21.9
Target	12.4	19.1
Wal-Mart	12.2	23.9
Discount Dept. Stores (net)	22.8	27.9
Discount Specialty Stores (net)	35.5	44.6
Department Stores	60.7	70.2
Catalog Showrooms	100.0	89.0
Specialty Stores (net)	59.2	61.4
Drug Stores	16.6	22.5

*Customers who shopped a store less than twice a month.

Source: Leo J. Shapiro & Assoc./Discount Store News; November 1990

***Target, Eagan, Minn.**: The full-line discounter posted an impressive 88.6% promotional sell-through in 1990, while the industry's average was 75%.* (DSN photo)

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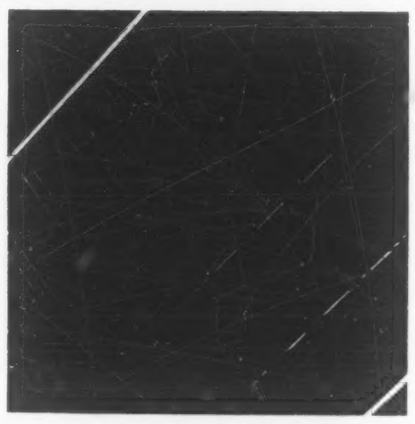

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TRAFFIC BUILDERS SURVEY

Videotapes Draw Well in Home Products

Blanks Result in $42 Average Ticket; Ranked No. 10 Overall in the Survey

One of the primary purposes of advertising sale items, other than to draw new customers, is to build in-store tickets. By that measure, some home products are very effective.

At the top of the heap in home products are videotapes, which not only drew well, but resulted in an average ticket of $42. Since few shoppers spend more than $10 to $15 on a videotape at a time (and many spend far less than that), that means that each was spending some $25 to $30 on presumably higher margin goods during each visit.

Among higher cost items, bath towels were extremely effective in building tickets. Of those who visited a store looking for towels on sale, about 95% actually purchased those towels, spending an average of $51.

Given the price levels of telephones, those products were much less successful in building sales. Only about two-thirds of shoppers attracted by an advertisement actually bought a telephone, and they only spent an average of $32, not much more than the price of an average telephone.

Similarly, Nintendo shoppers spent an average of $53, roughly the list of Nintendo games, and window coverings shoppers spent about $52, not much more than they could have been expected to spend on window coverings alone.

Other home products and the tickets they produced include: Pillows, at $54, and kitchen plastics, at $44, were two low-cost products that created relatively high tickets; film, at $40, was also an excellent add-on sale creator, given its initial cost. Picture frames, with a $25 average ticket, performed respectably.

Medium cost items included cookware, with a $51 average ticket; sheets, comforters and bedspreads, at $46; tableware at $34; small kitchen appliances at $24 and fabrics at $21.

Apart from the presence of Rubbermaid and General Electric in the Top 10 traffic builders' listing for 1990, home products brands were at best middle-of-the-pack in drawing customers into discount stores. Other brands mentioned in the Top 50 brands included (in order) Nintendo, Kodak, Black & Decker, Sony and Scotch.

The results were pretty much the same by product category. VCR tapes were the top performing home products area, ranking 10th overall and followed closely by sheets/-comforters in 12th place. After that, there was a large gap, with window coverings ranking 22nd overall (but 15th at discount stores) and fabrics finishing 29th (but 24th at discount stores). Cookware, small kitchen appliances, and home store (mirrors, closet organizers, etc.) ranked 32nd, 33rd and 34th, respectively, and all did considerably better among discount store shoppers, with cookware finishing 18th at those outlets.

Other finishers included plastic kitchen items (36th), telephones (39th), tableware/-dishes/glasses (52nd), film (53rd), picture frames (54th) and Nintendo (55th). Again, all did slightly better among discount store shoppers than among shoppers overall. Film, for instance, was the 40th most popular product among discount shoppers, and telephones finished 28th.

Follow-up questioning of customers indicates that some products are better than others at drawing new customers (or, alternatively, are more prone to cherry-picking). Generally speaking, apparel performed best at attracting new shoppers. Home products were only mildly successful in this area, with only window coverings and home store accounting for more than 40% of sales from infrequent shoppers. Most other home products scored about 20% to 30%, with picture frames, film and Nintendo scoring under 20%.

Home products were, on the whole, very effective in converting a shopper into a customer—in getting the person attracted by an ad to actually plunk down their money. Every shopper lured by a film promotion, for instance, reported buying film, one of only three products that could make that claim.

Other products and the percentage of would-be shoppers who actually made a purchase included: kitchen plastics, 81%; VCR tapes, 85%; home store, 82%; bath towels, 95%; cookware, 87%; sheets, comforters and bedspreads, 76%; tableware, 71%; telephones, 69%; small kitchen appliances, 89%; fabrics, 77%; Nintendo, 76%; and window coverings, 62%.

Less successful were picture frames, at 52% and pillows, at 58%.

Overall, shoppers in all categories at all stores purchased the sale item they came for 72% of the time.

The number of mentions of products credited with bringing shoppers into stores fluctuated wildly from 1989 to 1990. Videotapes, towels and window coverings all showed strong increases over the previous year, while domestics, flatware, home store, small kitchen appliances and furniture all declined.

Pillows, film, picture frames, small kitchen appliances, Nintendo, telephones, fabrics, kitchen plastics and cookware were all new to the list of Top 50 traffic building products in 1990, an impressive showing since only one home product, furniture, dropped off the list in 1989.

Customer Purchases of Home Products Traffic Builders

Product Category	Percent of Shoppers Who Bought a Product They Knew Was On Sale	Mean Ticket of Those Who Bought the Sale Item***	Percent of Mentions by Frequent Shoppers at All Stores**
Film	100%	$40	84.1%
Underwear	89.9	42	66.9*
Home Care (e.g. mops/brooms)	89.7	68	77.5
Household Paper Products	89.2	39	79.3
Motor Oil	88.8	34	55.3
VCR Tapes	84.6	42	74.4
Home Store	82.2	32	65.6

*Men's underwear.
**Shoppers who shopped store at least twice a month.
***Could include other items as well as sale items.

Source: Leo J. Shapiro & Assoc./Discount Store News; November 1990

Top Home Products Traffic Builders by Outlet

Product Category	Percent of Total Mentions at all Stores	Discount Stores: Percent of Mentions in Category	Mass Merchandisers: Percent of Mentions in Category	Department Stores: Percent of Mentions in Category
Hair Care/Personal Care Items	7.2%	94.3%	1.0%	—
Household Paper Products	5.7	100.0	—	—
Laundry Products	5.7	99.1	—	—
Household Cleaners	3.5	95.7	—	—
VCR Tapes	2.6	88.3	—	—
Home Care (e.g. mops/brooms)	2.6	96.3	—	—
Sheets, Comforters, Bedspreads	2.5	83.5	2.9	1.5

Source: Leo J. Shapiro & Assoc./Discount Store News; November 1990

Target, Nashville, Tenn.: *Bath towels were extremely effective for building total tickets.* (DSN photo)

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TRAFFIC BUILDERS SURVEY

Auto, Household Products Clean Up in '90

Home Items, Hair/Personal Care Goods Account For 5 of 10 Top Traffic Builders

Even though 1990 was a tough year for retailers in many categories, some products showed their mettle, particularly pet supplies, automotive items and household paper products.

Clearly hard lines winners in 1990, ads for pet supplies, auto products and household paper products appear to encourage not only sales of the advertised items but also other products.

These consumers were lured to discount department stores and spent more money at the store in 1990 than they did in 1989, according to results of *DSN*'s annual Traffic Builders Survey, conducted by Leo J. Shapiro & Associates, Chicago.

In pet supplies, consumers said they spent $28 after arriving at a store resulting from an ad for pet supplies, $12 more than in 1989.

Ads for household paper products amounted to a mean total ticket of $39 in 1990, $6 more than in 1989, and quite a hefty sum for items that generally cost $1 to $2.

Consumers also said they spent $79 after they spotted an ad circular for automotive products such as car finish. A year ago, automotive products were not even mentioned by consumers as a merchandise category. Shoppers also mentioned auto products separately from motor oil or anti-freeze, providing insight for drawing customers into the store.

Ads for such automotive products as car batteries and brake fluid are not as successful for discounters as they are for "other" retailers, the survey revealed. (The "other" retailers include the specialty automotive outlets.) For these products, discounters are the No. 2 outlet. Strangely enough, motor oil, a top draw for discounters doesn't offer the same success for other retailers.

According to the survey, discounter ads attracted consumers best to the following hard lines items: laundry products; toys/games/dolls; anti-freeze; sports equipment; light bulbs; motor oil; diapers; candy; and dog and cat food/pet supplies.

Hard lines products accounted for half of the Top 10 traffic builders at all types of stores—discount stores, mass merchandisers, department stores and specialty outlets: hair care/personal care items (No. 1); household paper products (No. 2); laundry products (No. 3); household cleaners (No. 4); and toys/games/dolls (No. 5). The products and ranking are the same specifically for discount store customers surveyed.

The No. 1 traffic builder brand, according to survey respondents, was Tide laundry detergent. Tide was the first of 51 brands specifically mentioned by all surveyed shoppers, regardless of store outlet.

One out of 10 consumers in the survey said ads for the popular detergent attracted them to a store. Slightly more than that said a discounter's ad provided the encouragement.

Tide wasn't the only hard lines brand mentioned by consumers as a top traffic builder, but it did set a tone. Of the top 50 brands mentioned by consumers as traffic builders, 19 were household cleaning products or paper goods such as facial tissues. The other "Top 10" brands specifically identified by consumers as traffic builders were Rubbermaid, Prestone, General Electric, Fisher-Price, Angel Soft, and Dial and Ivory, which tied for 10th.

Other top traffic builders identified by discount department store shoppers included Lysol, Sparkle, Vidal Sassoon, Kleenex, Amoco, Mattel, Clorox, Alberto, Coronet, Shout, Breck, Pepsi, Walt Disney, Hi-Dri, Black & Decker, Mardi Gras, Northern, Reynolds, Hoover, Scotch, Snuggle, Ajax, Hallmark and Worthers.

Overall, ads for household paper products, as a hard lines category, was the most successful at drawing shoppers to a discount store, displacing candy, which fell to seventh this year. As a result of an ad for household paper products, such as plates, nearly nine out of 10 shoppers surveyed said they bought a product they knew was on sale. Eight out of 10 respondents identified themselves as frequent shoppers.

Hair care/personal care was identified as the survey's top traffic builder product category overall, garnering 7.2% of all mentions, almost all of them by discount store shoppers.

Customer Purchases Of Hard Lines Traffic Builders

Product Category	Percent of Shoppers Who Bought a Product They Knew Was On Sale	Mean Ticket of Those Who Bought the Sale Item	Percent of Mentions by Frequent Shoppers at All Stores*
Household Paper Products	89.2%	$39	79.3%
Motor Oil	88.8	34	55.3
Hair Care/Personal Care	87.0	22	87.0
Household Cleaners	84.0	24	91.9
Kitchen Plastics	80.6	44	59.4
Over the Counter Drugs	79.1	18	81.2
Food (e.g. spices/cookies)	77.0	29	82.1
Laundry Products	75.0	27	87.9
Anti-Freeze	74.8	16	48.4
Candy/Gum	72.9	18	58.3

*Shoppers who shopped store at least twice a month.

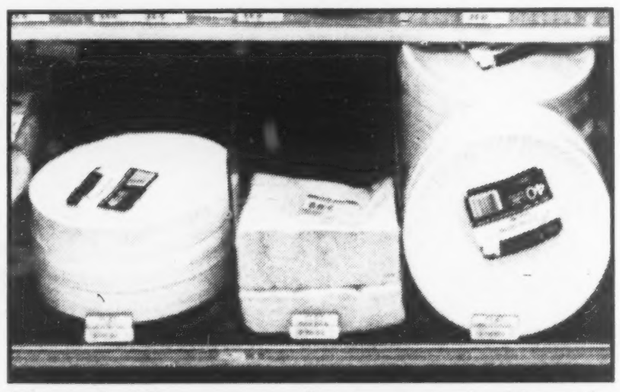
*Source: Leo J. Shapiro & Assoc./*Discount Store News; *November 1990*

***Household paper goods** amounted to a mean total ticket of $39 in 1990, $6 more than in 1989.*

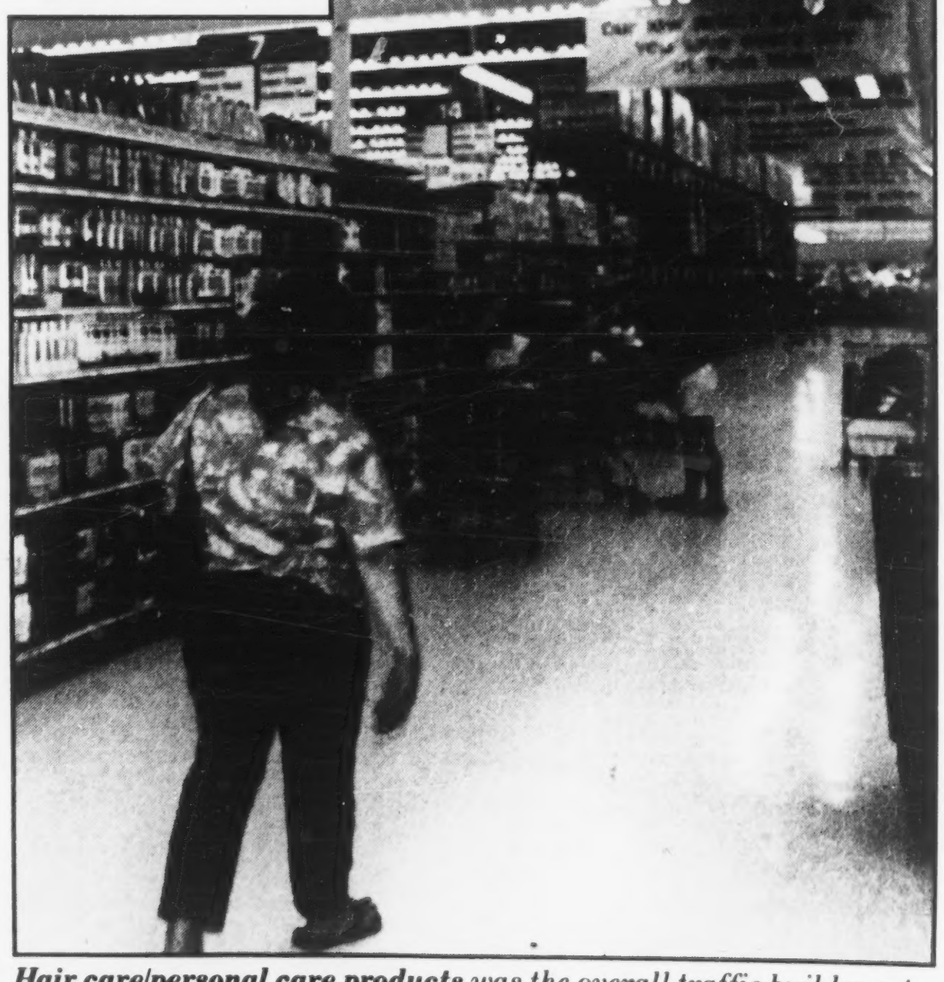
Top Hard Lines Traffic Builders By Outlet

Product Category	Percent of Total Mentions at All Stores	Discount Stores Percent of Mentions in Category	Mass Merchandisers Percent of Mentions in Category	Department Stores Percent of Mentions in Category
Hair Care/Personal Care Items	7.2%	94.3%	1.0%	—
Household Paper Products	5.7	100.0	—	—
Laundry Products	5.7	99.1	—	—
Household Cleaners	3.5	95.7	—	—
Toys/Games/Dolls	3.3	86.1	—	—
Anti-Freeze	1.5	96.4	—	—
Candy	1.5	84.9	—	—
Over The Counter Drugs	1.3	74.4	—	—
Cookware	1.1	100.0	—	—
Small Kitchen Appliances	1.0	76.9	7.0	16.1

*Source: Leo J. Shapiro & Assoc./*Discount Store News; *November 1990*



***Household paper products** came in No. 2 in the Top 10 traffic builders last year.* (DSN photos)



***Hair care/personal care products** was the overall traffic builder category, cleaning up with 94.3% of mentions in discount stores.*

Shopper Profile

	Percent of All Shoppers Who Knew of Sale/Special		Percent of Women Shoppers Who Knew of Sale/Special	
Age	**1990**	**1989**	**1990**	**1989**
Under 25	27.0%	40.2%	27.3%	45.7%
25-34	37.7	52.5	40.4	54.8
35-44	39.2	53.2	41.3	57.3
45-54	39.7	59.0	39.5	61.5
55-64	40.1	61.7	46.5	65.0
65 and Over	38.2	64.8	40.0	65.6

Source: Leo J. Shapiro & Assoc./Discount Store News; November 1990

TRAFFIC BUILDERS SURVEY

Consumer Responsiveness to Ads, Promos Down for All Age Groups

Consumers of all ages were less responsive to retailer ad promotions last year, according to *DSN*'s Traffic Builders Survey.

The survey, conducted for *DSN* by Chicago-based Leo J. Shapiro & Associates, found that 55-year-olds continue to be the most price-conscious of all age groups, while younger consumers, those under 25, as expected, tend to be least conscious of ads and promotions.

Some of the decline is probably due to the fact that more retailers are adopting an everyday low price policy and therefore are not advertising as much or as frequently.

Women over the age of 55 were the most responsive to advertising while men of the same age group recorded the biggest decline in advertising awareness from a year ago. Conversely, this same group of men was the second most responsive group in 1989's survey.

As was the case in the 1989 study, consumers under 25 and those 25 to 34 were least aware of sales and specials. Carefree lifestyles, higher-paying jobs and more disposable income may be why these groups are not concerned with shopping for sales. The same is true for women 45 to 54. This may be explained, in part, by the increasing prominence of women in the work force and decreasing amount of time to peruse the sales circulars.

Men, in general, were less responsive, with those 25 to 44 most unaware of a sale before entering the store. A larger disposable income may explain why this group is less inclined to scan advertisements before going shopping.

Men 55 to 64 were responsible for the largest decline of awareness in the survey, falling more than 66% from last year's survey. Part of this decline may be traced to the fact that the survey was conducted one month earlier than usual. The most responsive men in the survey were those from 45 to 54. Many men in this age group are beginning to plan for the future and may engage in belt-tightening to ensure financial stability in their later years.

Another factor influencing men's dwindling responsiveness to ads overall may be the focus by Sears, JCPenney and Montgomery Ward on catagories traditionally targeted toward women. These retailers have been zeroing in on the women's apparel market while discount department stores have concentrated their advertising dollars on household commodities like laundry and cleaning products, and household paper goods.

This trend is further emphasized when evaluating men's categories like shirts, automotive and pants/slacks. All three were down from 1989's survey.

For the most part, as consumers become older, their level of responsiveness to ads increases. Higher health costs, housing costs and child care costs may contribute to this trend. Women in general are more responsive to ads primarily because many organize the family budget or are at home raising their children. Also, the rise in the number of single-parent families and the uncertain economic climate may make coupon-clipping and tighter budget constraints an essential part of life.

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Computer Shopping Services Square Off

(Continued from page 3)

The closest Prodigy came to discussing the financial side of its business came last fall, when the company's president, Theodore Papes, predicted that "we expect to be profitable in early 1991." The profits would be on an operational basis as Prodigy's parent companies, Sears and IBM have spent about $600 million developing the service during the past seven years, rolling it out nationally last year.

CompuServe, a wholly owned subsidiary of H&R Block, is slightly more forthcoming about the shopping service launched in 1985.

Regina Brady, CompuServe's director of customer promotions, told *DSN* that the Electronic Mall's traffic (the number of shopping trips) last year was up 10%, sales jumped 62% and the average purchase was $65 to $70, up from $55 to $60 in 1989. The response rate—total orders divided by total visits—reached 4.3%, a 13.2% increase from 3.8%.

She credited the Electronic Mall's performance to CompuServe's decision to "commit more money and resources to promoting" the service. 'Go Mall,' the full color, multi-page shopping insert, became a monthly, rather than a bimonthly, section in the *CompuServe Magazine*. Shopping was also featured as a service in CompuServe's year-long series of ads on cable TV and in news, business/financial, science and computer publications.

As for Prodigy's advertising activities, the service this quarter will launch its first national cable TV ad campaign on such networks as CNN and ESPN and also place ads in national special interest magazines like women's and auto publications. Previously, Prodigy had run spot ads on broadcast TV stations in markets where the service was accessible to computer users.

The new ad program denotes the fact that computer users anywhere in the country can now access Prodigy, said Stephen Walden, director of membership marketing. National advertising enables Prodigy to more effectively reach its target audience of upscale consumers and women, he said.

Attractive to Families

"A large number of members are women," Walden noted. New Prodigy features directed to children like an online encyclopedia should make the service more attractive to women and young families, he added.

Other promotional programs geared specifically to non-members are in the works. J. Walter Thompson is the agency for the national TV and magazine ads and those under development.

The service's direct mail program will continue to focus on 'ride-along' pieces—possibly using Shoppers Club as the logo for the brochures—sent with the *Prodigy Star* newsletter. Prodigy expects to mail about a half dozen 'stand-alones' this year, down slightly from eight sent out last year, with the pieces either spotlighting one merchant or including goods from three or four retailers.

While Prodigy funds the national TV and print ads, costs of the 'stand-alones' are born in an undisclosed ratio by Prodigy and the advertising merchants, just like the seasonal promotions run on the computer service that packages goods from a number of retailers in special on-line ads. "We take some of the income received from retailers and reinvest in on-line and off-line ads, with merchants also paying for these promotions," Ed Sessler, director, merchandise marketing, told *DSN*.

He said that about 75% of these joint ad dollars will be spent on on-line promotions this year, with the rest going to off-line promotions. Last year the spending was split 50/50.

The service has a co-op ad program with retailers that sell it software and software/-modem packages, with most of these promotions spotted in local newspapers.

Prodigy wouldn't comment on whether it planned to repeat the cross-media campaign it ran last year with Time Warner. That effort saw magazines like *Time*, *Money* and *People* featuring customized ads addressing subscribers by name and telling them the location of the nearest stores selling Prodigy. Time Warner also aired commercials on cable TV networks promoting the magazines, while the media company's ads in shopping centers noted Prodigy dealers in the malls.

The traditional advertising media are needed, Sessler said, to "activate and motivate" computer owners who don't understand Prodigy's full range of services, including shopping, and members who are new to the service or else use Prodigy for only a few specific functions like monitoring their stock portfolio.

"There are still a lot of people who aren't comfortable placing orders electronically," he noted. Prodigy's non-electronic promotions work "extremely well in creating new customers," he added.

Price Club Hits East Sites Snag

(Continued from page 4)

• Failing to purchase the sites for the previously announced clubs planned for Rockland County, New York and Philadelphia. The units were part of Price Club's drive to expand its presence in the Northeast that is now limited to the total of six clubs in New York, New Jersey and Connecticut.

The company plans to step up its expansion program to keep pace with other membership warehouses, with the focus on new stores in "the Western states and along the Eastern seaboard," according to Price Club's 10-K filing.

But the company may have missed out on the other growth mode noted in the report, "expand[ing] to regions where it doesn't presently have warehouses, either directly or through acquisitions, organization of majority-owned subsidiaries, joint ventures, or otherwise."

The industry's two major acquisitions last year were by rivals, Sam's Wholesale Club, which garnered the Wholesale Club, and Pace Membership Warehouse, which purchased Price Savers.

The only remaining major wholesale club that could be acquired is BJ's Wholesale Club, now part of Waban Inc. Price Club had held acquisition discussion when the now-defunct Zayre Corp. owned BJ's. BJ's is currently the dominant club in the Northeast with 22 stores in the region.

As for Price Club's union contracts with the International Brotherhood of Teamsters, the agreement covering the East Coast stores expires Feb. 14; the one for California, Feb. 7, 1992. The company termed its labor relations "excellent" in its 10-K filing.

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Interco Liquidates Sky City

(Continued from page 3)

Interco borrowed the money to pay a $1.4 billion cash dividend to stockholders and began selling assets to pay down that $1.5 billion bank loan.

It put Sky City on the list of "businesses held for disposition" but was unable to find a buyer, shows an S-4 filing with the Securities and Exchange Commission.

Interco did sell its Central Hardware chain, London Fog and the Ethan Allen furniture chain. It still owns Florsheim and Converse shoes, and The Lane Co. and Broyhill Furniture, as well as Banister Shoe, which operates factory outlet shoe stores.

Earlier this month, Interco notified the SEC that it again is seeking bank approval to skip interest payments due.

As an element of the aborted LBO, Asia Pacific and other investors were to provide enough fresh capital to pay for five new Sky City stores conforming to its new 30,000-square-feet prototype. In addition, the capital infusion would have financed new corporate offices, a warehouse and a distribution center in Ashville.

While opening new prototype stores, the chain would have closed 20 older units.

Sky City store count peaked at 72 in 1987, slipping to 55 at the end. Sales hit $145 million that year but had fallen to $120 million in 1989.

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Retailers in War of Their Own

Plagued by Recession, Mideast Turmoil U.S. Businesses Fight to Stay Alive

Nationwide DSN Report

Operation Desert Storm has cast a cloud on an already troubled retail landscape.

The outbreak of war in the Mideast has not triggered the dramatic and sudden drop in retail sales that many economists predicted. However, as the general euphoria over the prospect of a quick victory fades, a much more severe downturn in retail sales appears more and more likely.

Even a quick military victory (which seems more remote each day) would only fuel a temporary burst of consumer spending as other economic factors, notably deep-rooted problems in the banking industry and rising taxes, will work against a recovery in the near future.

Most discounters contacted by *DSN* within the first week of the Persian Gulf war said they've noticed little effect on overall sales. In fact, a top merchandising exec for a major discounter noted an increase in sales of military-related hobby kits such as helicopter and airplane models, and predicted a surge in sales of Hasbro's G.I. Joe line. Other executives cited yellow ribbons, American flags and other "red, white and blue" items as selling well.

Even though discount stores in general weathered the Christmas sales drought better than full-price retailers, the list of distressed chains grows longer each month.

Hills, the $2 billion, Canton, Mass.-based discounter, was trying to fight off bankruptcy as this issue went to press (see story, page 3). The 214-unit chain, which is attempting to renegotiate its working capital and loan repay-

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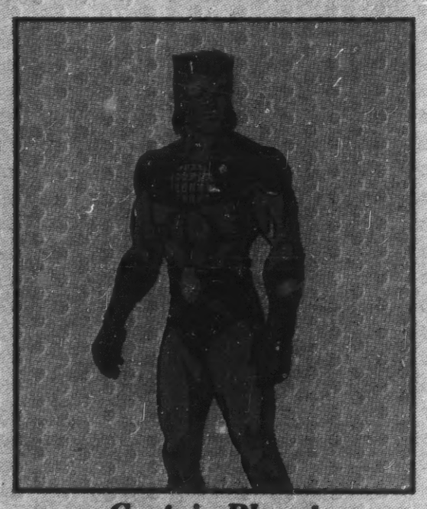
Crusader



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Basics Buttressed Christmas

By Richard Halverson
Nationwide DSN Report

Although Christmas business was tough to come by for all retailers, discount stores generally enjoyed a better Christmas than did department stores, with same store sales gains ranging as high as 13%.

The recession of 1990-to-1991 is a white collar recession, with layoffs hitting white collar customers of department stores harder than the blue collar customers of discount stores, according to Dan Barry, retail analyst for Kidder Peabody in New York.

Moreover, apparel sales, the forte of department stores, were weak for reasons including abnormally warm weather that curtailed winter clothing, Barry said. Fashion factors, such as too many short skirts and a bland color palette, along with sharp price increases, also hurt apparel sales, Barry said.

Apparel accounts for 65% of department store sales, Barry said, but only 25% of discount store volume.

"It was a basics Christmas, and basics at discount stores such as simple shoes, hosiery and motor oil, sold well," he said.

Mass merchandisers in the aggregate logged

(Continued on page 85)

Refining the Toy Success Formula

You Don't Have To Be Toys 'R' Us to Succeed

By Laura Liebeck
Nationwide DSN Report

A retailer can be successful in toys even without the Toys "R" Us name. All it needs is a niche to exploit.

Operators such as Kay-Bee toy stores, with its mall focus and front-end promotional area, and Value Merchants, via its Toy Liquidator chain of first-quality overruns and discontinued merchandise, have successfully exploited formats markedly different from Toys "R" Us' warehouse program.

In addition, discounters such as Wal-Mart and Target have found success with their carefully chosen toy sku's that play off their chain's total merchandise mix.

For example, Wal-Mart and Target have found that by sacrificing margin on selected "hot" toys they draw shoppers who can be steered to higher-margin toys and to merchandise in other departments. The key, of course, is execution.

***Kay-Bee's Toy Works chain** leverages the parent company's mall store strengths in a freestanding, wider-aisle format.* (DSN photo)

"Retailers have an opportunity, with service and a narrow target consumer, to compete head on with Toys "R" Us," observed David Miller, president of the Toy Manufacturers Association, New York.

Undoubtedly, "Toys "R" Us has made it more difficult for the marginal competitor but it doesn't make it impossible," said Miller.

(Continued on page 84)

MARKETWATCH

Hayes Resigns Post at Child World

AVON, Mass. — While in the midst of negotiations to restructure a payment plan with its banks and suppliers, Child World president and ceo Peter Hayes resigned his post at the nation's second largest toy chain Jan. 24. Hayes declined to comment specifically on why he was leaving the chain or if Child World would secure the financing it needs to pay its debt which is estimated at over $300 million. Hayes did tell *DSN* that he will join "another retailer" in mid-February. Hayes joined Child World in 1988 following three years as chairman of Gold Circle stores. Prior to that, Hayes was with Hills for 16 years in several posts including vice president of merchandising, advertising and sales promotion.

Wal-Mart Opens 36 Units In One Day

BENTONVILLE, Ark. — Wal-Mart opened the greatest number of discount stores on the same day in the retailer's history when it unveiled 36 units Jan. 30. The count, which beat the old record of 35 stores opened Jan. 31, 1990, includes: Arizona, 1; California, 7; Florida, 3; Illinois, 2; Indiana, 5; Iowa, 2; Kentucky, 1; Michigan, 2; Minnesota, 1; Nevada, 2; North Carolina, 2; Ohio, 2; Pennsylvania, 2; South Dakota, 1; Wisconsin, 2, and Wyoming, 1. The openings meant that the retailer ended its fiscal year with 1,573 discount stores. Wal-Mart also signed a lease to open a 90,000-square-foot store in a shopping center under expansion in Canandaigua, in upstate New York.

HSN Adds Services for TDD Users

ST. PETERSBURG, Fla. — The Home Shopping Network has added services that will enhance the ability of visually and hearing impaired consumers to shop the teleretailer. HSN operators can now take orders from hearing impaired individuals who use Telephone Device for the Deaf (TDD) units. There are approximately two million TDD users. Coupons in HSN's *Bargaineer* quarterly magazine are now available in braille for the visually impaired.

OPA Gets Financing for Northeast Push

SAN ANTONIO, Texas — Office Products of America, operator of Office Stop office supply superstores, received a commitment for a $5 million revolving line of credit from Fremont Financial Corp., Chicago. The money will help finance the chain's Northeast expansion. The deal is subject to negotiation and execution of definitive agreements.

PLMA Honors Family Dollar, McCrory

NEW YORK — The Private Label Manufacturers Association honored Family Dollar and McCrory stores as retailers that are perfecting their private label programs. Members of the PLMA said Family Dollar, "has done more for private label merchandising than any other mass merchant over the last two years." PLMA cited the chain's quality control program and its semi-annual private label product promotion. The association also commended McCrory for its renewed private label efforts following the sale of its Bargain Time, G.C. Murphy and Culligan International stores. McCrory recently added two new bar soaps to its private label mix.

Rose's to Close 25 Stores

HENDERSON, N.C. — Rose's Stores said it would close 25 of its stores in the next six months after revealing income levels far below those projected for the year. After the closings, the chain will number 234 stores. The stores being closed were among the worst performers in the chain, Rose's said. In addition, David Rose, who was chief administrative officer and senior vice president, has left the firm.

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Kmart's New Buying Structure Keeps Decision-Makers Focused

TROY, Mich. — Kmart's reorganization of its hard lines merchandising division has eliminated a layer of management, streamlined the approval process and pushed decision-making down to a lower level.

In an interview with *DSN* at the chain's headquarters last month, William Underwood, senior vp of general merchandise, and David Schuvie, vp of merchandising, said the new buying structure will enable Kmart buyers to "listen better today and better understand the corporate direction."

As reported exclusively in *DSN* (Jan. 7, 1991, page 3), the merchandising division has been divided among four divisional merchandise managers with 12 senior buyers, a consolidation from six divisionals and 27 senior buyers. However, Underwood pointed out that the restructuring has not resulted in a reduction in merchandising personnel. Quite the opposite. Kmart actually added 12 new buyers in recent months.

"After all the emphasis we've placed and money we've spent on central merchandising, we would be wrong not to have the proper management structure in place," said Underwood.

Centralized merchandising enables Kmart to replenish merchandise at its store from headquarters using computerized point-of-sale and satellite technology. The new system, which the chain said is already paying dividends, has apparently had a profound effect on job responsibilities in the buying division.

The new restructuring will enable Kmart buyers to listen better today and better understand the corporate direction.

"The job of the buyer is to travel the world markets and procure merchandise," explained Underwood. "We can be first with the better quality product."

Underwood and Schuvie noted that Kmart is still addressing the many changes within the scope of the merchandising department. "We are eliminating confusion from the buyer up to the divisional," said Schuvie. "If a buyer needs additional support, we can provide it. A buyer has to be able

(Continued on page 85)

Stuarts Avoids Chap.7, Credit Ok'd

By Jill Lettich

FRANKLIN, Mass. — Stuarts has survived another round.

The regional discounter received approval on a revolving credit line of $10 million in a hearing before Judge F. Queenan Jr., in bankruptcy court. At the same hearing, a motion for liquidation filed by Stuart's "Official Committee of Unsecured Creditors" was "emphatically denied," by the court, said chain president Joseph Ettore.

Stuarts filed for Chapter 11 reorganization on Dec. 7 after Shawmut Bank N.A. declined to make further advances under its credit agreement with Stuarts.

In late January, the creditors committee filed a motion to convert the Chapter 11 reorganization to a Chapter 7 liquidation. The committee is composed of five manufacturers/distributors (Gitano, Hasbro, Mill Brook Distributors, Schrieber & Co. and Zamoiski Co.), five factors (Republic Factors Corp., Heller Financial Inc., Citizens & Southern Commercial Corp., CIT Group Factoring and BNY Financial Corp.), and Shawmut.

The lender of the current $10 million in debtor-in-possession financing is First American Bank of New York. This credit line, along with the company's current cash position of over $20 million is suffi-

(Continued on page 86)

FTC Issues First RPM Complaint Since 1981

By Ken Rankin

WASHINGTON — In a move that may signal a welcome shift in government antitrust enforcement priorities, the Federal Trade Commission issued its first formal resale price maintenance complaint in more than a decade.

Although the action is likely to have little direct impact in discount stores—FTC's complaint was targeted at the manufacturer of an automatic swimming pool cleaning device—indirectly the case may signal a resumption of federal efforts to protect retailers from anti-competitive price-fixing conspiracies.

While resale price maintenance has been considered a per se or automatic violation of the nation's antitrust laws for the past 80 years, federal efforts to curb these practices were halted abruptly under the Reagan administration.

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TOY MERCHANDISING

Toy Manufacturers Look Ahead to Shaky '91

Vendors Will Struggle to Maintain Sales As Consumers Have Fewer Stores to Shop

By Richard Halverson
Nationwide DSN Report

For toy manufacturers, 1990 was a difficult year, with estimated sales gains of 2% to 3%—or flat after adjustment for inflation.

As a prime indicator of the kind of year it was, Toys "R" Us, king of the hill in toy retailing, reported a 6% decline in same store sales for the Christmas season.

And with retailers closing hundreds of stores, manufacturers face a special problem in 1991: how to maintain sales volume with far fewer retail outlets for their goods.

One sign of comfort: Nintendo, blamed for siphoning sales from conventional toys, fell short of its sales goal of $4.1 billion last year. Sales rose only 26% to $3.4 billion in 1990 from $2.8 billion in 1989, leading toy makers to believe that it has peaked.

This year will be one of questionable financial stability for a number of both toy manufacturers and retailers, according to George Ditomassi, chairman of Toy Manufacturers of America. Toy sales were soft last year in a soft economy, said Ditomassi, also chairman of the Milton Bradley division of Hasbro. "It was a difficult year," he said.

A number of retailers are having trouble paying their bills, among them Child World, which suspended payments to both vendors and lenders prior to Christmas, and Best Products, which declared Chapter 11 Jan. 4, sticking a number of its vendors with unpaid bills and adding to the problems of Fisher-Price.

In addition, a number of retailers are closing stores or going out of business: Hills, for example, is closing 28 stores, or 12.8% of its units; Stuarts declared Chapter 11 bankruptcy and closed three of 23 stores; David Weiss, liquidated all 18 of its catalog showrooms; W. Bell, another cataloger, declared Chapter 11 and closed 10 of 20 showrooms; Sky City liquidated, closing 55 stores (see story, *DSN*, Jan. 21, 1991).

"Manufacturers will have to deal with having fewer retail outlets," Ditomassi said.

In the main, the toy industry isn't homogeneous, said Mannie Girard, a principal of Girard Klauer Mattison & Co., a New York institutional research firm. Instead, toy makers are product based, he said, and when they have hit toys, they do well.

Lewis Galoob, for example, had a terrible year because its 1989 hit, Micro Machines, "got killed," Girard said.

Galoob expects to suffer a "substantial operating loss" for the year, having racked up operating losses of $14.6 million through Sept. 30, 1990 compared to profits of $20.5 million in the first three quarters of 1989. Year-end company figures were unavailable at presstime.

While the TMA won't release its 1990 industry sales report until the Toy Fair on Feb. 11, it is estimated that retail toy sales grew about 3% to $13.81 billion last year.

On the other hand, Playmates, which had tremendous success with Teenage Mutant Ninja Turtles, logged what it calls a "fantastic year" in 1990, estimating sales of about $400 million.

With their lines of basic toys, Mattel, Hasbro and Tyco all did well last year (see chart).

While Mattel barely edged out Hasbro in sales through Sept. 30, it stands heads and shoulders above in operating profit, with a 30.6% gain to $150.7 million on sales of $1.04 billion. In comparison, Hasbro's operating profits fell 10% to $108.8 million on sales of $1.03 billion.

Tyco is having a good year, a spokesman said, although operating profits fell 22.1% on a 27.6% sales gain for the nine months.

LEGO Systems enjoyed another record year, claiming a sales gain of about 15% for the second year in a row. As a private company, LEGO releases neither sales nor earnings.

Little Tikes, a division of Rubbermaid, is fast closing on Hasbro's Playskool division as the second largest maker of preschool toys. It recorded sales of around $300 million in 1991.

"Several manufacturers are entering 1991 less healthy than they were in 1990," Ditomassi said. None, however, appear close to Chapter 11 bankruptcy, he added.

Besides Galoob, Tonka, Fisher-Price—the third largest toy maker after Hasbro and Mattel—and Matchbox are struggling.

Fisher-Price, a division of Quaker Oats, is running into difficulty with its restructuring. Tonka is suffering from two factors: paying the interest on $455 million in debt taken on in 1987 to acquire Kenner and Parker Bros., as well as a 59.5% slump in operating earnings through the first nine months of 1990.

Fisher-Price has slashed employment 40% over the past three years to 6,000 employees from 10,000. Quaker Oats intends to spin off Fisher-Price to its stockholders during the first quarter so it is treating it as a discontinued operation.

In the latest round of cutbacks, intended to shrink F-P to the size of its business, Quaker Oats announced last month it will close two of four distribution centers and fire 110 headquarters staffers.

Last year it closed two of eight plants, firing 1,200.

In its first quarter of fiscal 1991, ended Sept. 30, 1990, Fisher-Price lost $12.7 million from operations, compared to profits of $28.9 million a year earlier. Sales for the quarter plunged 32.6% to $153.2 million from $227.5 million. The July-September period traditionally is the best for toy manufacturers.

Tonka sustained a net loss of $25.4 million for its first nine months, a worsening of the $4.4 million net loss in the same span of 1989. Interest on debt assumed to acquire Kenner and Parker Bros.—along with a slump in sales—explains the loss.

In more bad news, Moody's just cut its investment rating on $331 million of Tonka's long term debt to Caa, the lowest speculative grade. For the move, Moody's cited Tonka's "deteriorating financial position and weak earnings outlook," as well as "the poor outlook for the toy industry."

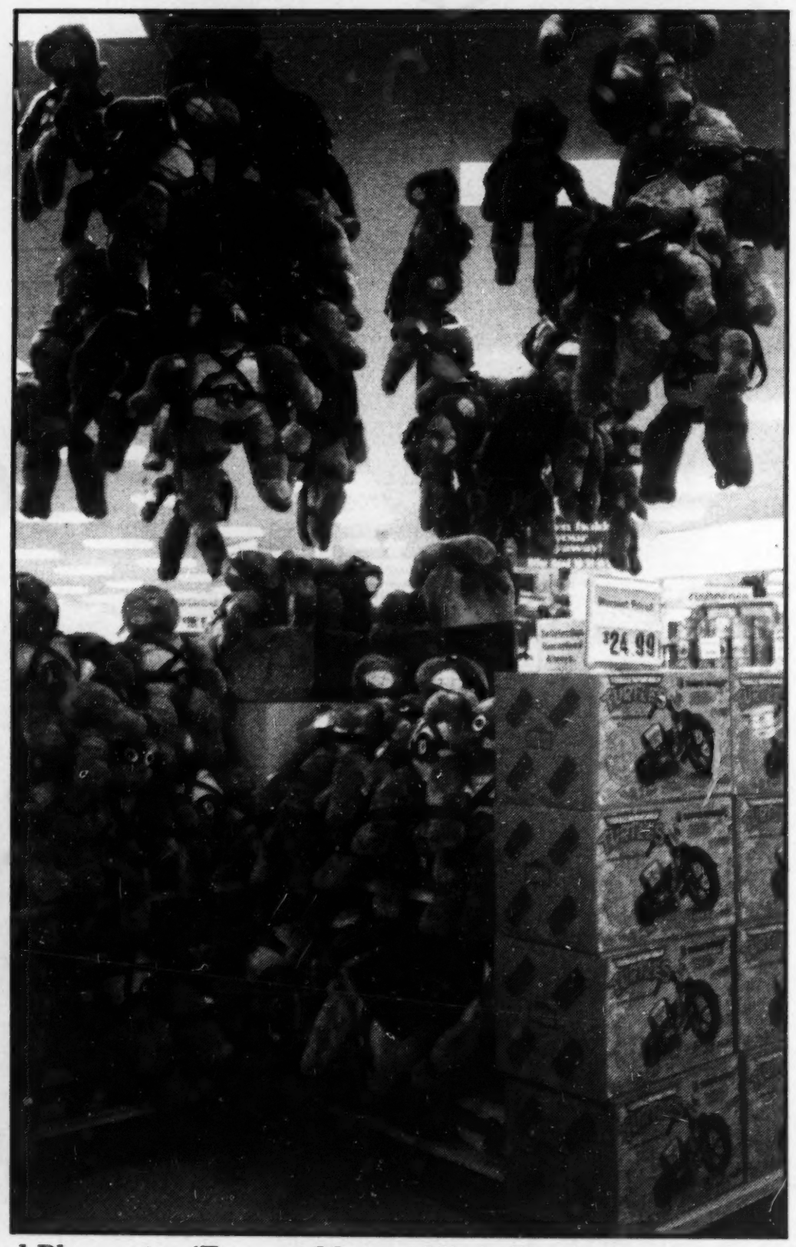
Matchbox sustained an operating loss of $35,000 for its first nine months last year, compared to a $2.9 million profit in 1989. Sales sagged 10.5% to $140 million from $156.6 million.

Toy Manufacturer Sales, Profits
(In Millions)

	Sales, 9 months ended Sept 30			Operating Profits, 9 months		
	1989	1990	% Chg.	1989	1990	% Chg.
Mattel	$877.6	$1,042.4	18.8%	$115.4	$150.7	30.6%
Hasbro	992.7	1,027.2	3.5	121.5	108.8	−10.6
Fisher-Price	884.8[1]	702.6[1]	−16.8	89.6[2]	(96.2)	NA
Tonka	625.8	541.3	−13.5	86.6	35.0	−59.6
Tyco	268.9	343.1	27.6	22.6[4]	17.6[4]	−22.1
Matchbox	156.6	140.0	−10.6	2.9	(0.4)[5]	NA
Galoob	169.6	105.4	−37.8	20.5	(14.6)[6]	NA

[1]12 months, for fiscal year ended June 30.
[2]12 month pretax profits, fiscal year ended June 30.
[3]12 month pretax loss, fiscal year ended June 30.
[4]Earnings before income taxes.
[5]Operating loss of $35,000.
[6]Operating loss.
NA — Not available.
( ) — Loss.

Source: corporate sales and earnings reports



***Among the top toy makers** last year were Mattel (Barbie) and Playmates (Teenage Mutant Ninja Turtles).* (DSN photos)

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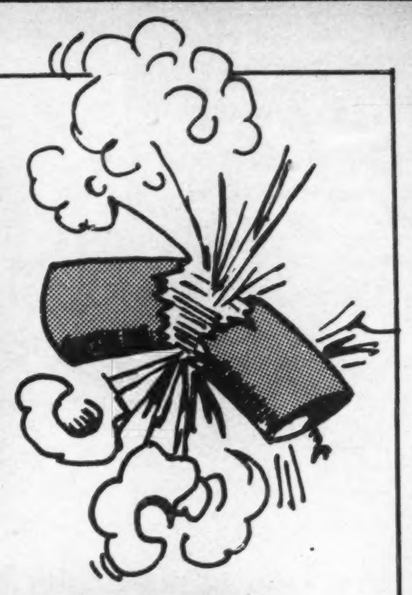

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Retailers Look For New Niche They Can Toy With

(Continued from page 1)

Retailers like Hills and Stuarts, even with their much publicized financial woes, recorded comp store toy increases of 11% and 7%, respectively, last year as a result of their carefully crafted plans.

Hills focuses consumer attention on selection, image, perception and price, an important mix of attributes, said Fred Hurley, divisional merchandise manager of toys and juvenile products at the Canton, Mass.-based chain. The toy department typically averages 6,500 square feet, larger than many specialty stores.

"The company strategy is to attract women using children's categories, stressing Hills is a place for kids and making it convenient to shop" for a range of products including the most recognized toys in the business, said Hurley.

Stuarts, although in Chapter 11, had a "sensational year" in toys in 1990, said Phil Brescia, toy buyer for the Hopkinton, Mass.-based chain. Said Brescia: "We picked our spot and went after a few things."

"Mass merchants need to pick the 100 to 200 key items on TV, have them and do it your way," contends Brescia. For retailers, in particular, the advantage of being able to leverage the chain's broad range of products, high in-stock position and image are vital to successfully competing with TRU, Miller noted.

A discounter's loyal consumer base is its best asset, observed Jim Pressman, president of Pressman Toy Corp. Retailers such as Wal-Mart and Target, while having a smaller selection of toys than Toys "R" Us, have been aggressive in carving out a piece of the pie. He noted that in some cases the two have cut prices on some hot toys to below TRU's everyday low price, driving traffic into the discount stores. Once there, the discounters' strong positions in categories such as adult games or kids' action games have been exploited.

In fact, a not-yet-released study, conducted for *DSN* on Target's new Greatland superstore, shows that shoppers at the new Apple Valley, Minn., Greatland view its toys department as being distinctly stronger compared to available competitive outlets.

Kmart has long observed the changing toy scene and determined that it would beef-up its toy department after eight years of operating a more modest program. In fact, Kmart has identified toys as a power department and part of its lifestyle retailing focus.

Unquestionably, TRU's biggest strength is its marketing program that hammers home the message to consumers that it has all the toys they could think of at the best possible price. Its warehouse format emphasizes those points.

Any retailer looking to compete head-on with TRU on price is sure to lose, sources stress, since its huge buying capabilities will always undermine margins at lesser retailers. Being forced to play TRU's game its way, without its strengths, is certain failure, most contend.

Tons of Toys, operators of Karl's Toys, Toys Plus and Toys Galore toy stores, has set itself on a path that distinguishes it from Toys "R" Us, Kay-Bee and Toy Liquidators.

Focusing more attention on special services such as layaway and gift wrapping plus the chain's new hobby department, are intended to distinguish Tons of Toys from the competition, said Bruno Ferretti, president of the 51-unit bicoastal toy chain.

Ten years ago, Ferretti said he thought that the best way to compete with TRU was to be like it, only smaller. Now he wants TOT to be a little different, offering customers something the others don't.

In addition, last fall TOT started Toytropolis, an upscale leased toy department in a Seattle Bon Marche department store.

In fact, Ferretti thinks now may be the time for toy departments to re-enter department stores in selected areas.

Creating a format entirely different from TRU has even affected troubled Child World. The Avon, Mass.-based chain has been seeking to distinguish itself from the pack with its prototype that boasts a lively new layout, special services, including some bilingual sales associates, and a tight product mix.

And, the Melville Corp.-owned Kay-Bee chain's new Toy Works concept is an attempt to leverage its mall store strengths in a freestanding, wide aisle store format.

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***Warren Feldberg,** Target's new president, will stress teamwork and strive to differentiate the chain's merchandise from the competition.*

Feldberg Takes Reins As Target's New Prez

MINNEAPOLIS — Target's new president is a 41-year-old merchandising executive whose management style emphasizes teamwork and whose retail philosophy is firmly rooted in serving the customer.

Warren D. Feldberg, Target's executive vice president of merchandising since March 1988, was promoted to president of the nation's third largest discount chain last month.

Feldberg had been serving as executive vice president, merchandising, since March, 1988, having transferred from a similar post at Lechmere, then another division of Target's parent Dayton Hudson.

The president's position had been vacant since October 1987, when Ulrich moved up from his role as president and chief operating officer to re-

(Continued on page 54)

Wal-Mart Joins Rush to Open In Puerto Rico

By Arthur Markowitz

SAN JUAN, Puerto Rico — Wal-Mart plans to open three discount stores and a membership warehouse in Puerto Rico, but the move also involved the discounter in a legal skirmish with rival Kmart over two of the four sites.

Wal-Mart is set to debut in the island commonwealth with a 110,000-square-foot discount store in the Mayaguez Mall in Mayaguez later this year. It will follow up with two more Wal-Marts and a Sam's Wholesale Club in the spring '92. The retailer is developing the Mayaguez store, which will be part of the expansion.

(Continued on page 53)

Hills Secures Financing To Re-Establish Footing

By Laura Liebeck

CANTON, Mass. — Hills has secured $100 million in Debtor-in-Possession financing to restock shelves that have been emptying since before its Chapter 11 filing early this month.

Federal bankruptcy court is expected Feb. 25 to authorize Hills to draw on another $150 million in DIP financing from Chemical Bank.

Hills' bankruptcy petition, filed Feb. 4 in U.S. Bankruptcy Court for the Southern District of New York, listed liabilities of $1.255 billion and assets of $1.263 billion as of Nov. 3, the end of Hills' third quarter. However, president John Brouillard told *DSN* that as of Dec. 31, 1990, assets totaled $993 million and liabilities were between $950 million and $975 million.

Long expected by retail analysts who follow Hills, the Chapter 11 filing became necessary after the discounter failed to create a restructuring plan acceptable to its bank lending group. In addition, the chain was suffering with a growing out-of-stock position. The bankruptcy filing estimated that inventory levels were 25% below a year ago. Particularly hard hit have been spring apparel and H&BA, which were "sold out," said Brouillard.

> ***'We worked real hard to avoid this but I couldn't let the stores go any further without merchandise. Our goal was to avoid Chapter 11.'***
>
> **—John Brouillard, Hills, president**

"We worked real hard to avoid this but I couldn't let the stores go any further without merchandise," said Brouillard. "Our goal was to avoid Chapter 11."

The $250 million DIP financing, called "more than sufficient" by Brouillard, is intended to provide Hills with sufficient cash and a letter of credit capacity to purchase inventory necessary to keep the stores operating and maintain its customer base, the filing stated.

Chemical Bank, which is providing the $250 million in DIP funds, is a new bank source.

Inventories should be back to normal levels by the beginning of March, he said, noting that H&BA stock would more quickly return to normal because vendors are ready to ship.

Hills is being represented by the New York law firm of Kaye, Scholer, Fierman, Hays & Handler.

Cutting expense levels is the next order of business, Brouillard said. The chain's store

(Continued on page 54)

Stevens Resigns From Top Post at Fred Meyer

***Analysts are at a loss** to explain why Fred Meyer's chairman and ceo Fred Stevens resigned.*

By Richard C. Halverson

PORTLAND, Ore. — The consensus among West Coast analysts is that Kohlberg Kravis Roberts, the leveraged buyout firm that controls the Fred Meyer board, didn't force Frederick M. Stevens to resign late last month as chairman and chief executive officer.

At the same time, analysts can only speculate about why Stevens suddenly left just as the chain began to turn around from its operating profits slump. The people who do know the reason—Stevens and the four of seven board members that KKR controls through owning 65% of the stock—aren't telling.

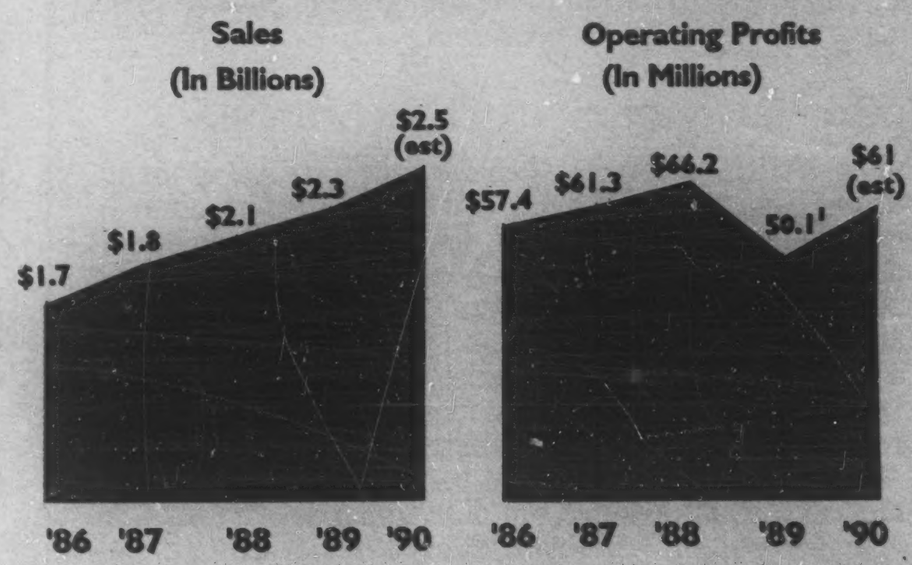
In a brief statement that took Fred Meyer executives by surprise, Stevens said he quit "to seek new opportunities and challenges." His housekeeper said he and his wife left the next day for a month's vacation, destination undisclosed.

The business press around Portland is buzzing with rumors that KKR forced Stevens out of his position, which paid him $582,780 last year, because his modernization program proved too costly and hurt earnings.

But analysts doubt that KKR, which bought Fred

(Continued on page 54)

Fred Meyer Operating Profits and Sales



[1] *Before $49.3 million chargeoff for new computer system. Operating profits were $814,000 after charge.*

Source: Fred Meyer annual report for 1989, Gallagher Capital Corp. estimates

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MARKETWATCH

Wal-Mart, Kmart Battle for No. 1 Spot

NEW YORK — It's official, almost. Wal-Mart now operates the nation's largest discount store chain. The Bentonville, Ark., retailer reported 1990 sales (12 months ended Jan. 31, 1991) of $32.6 billion. However, after deducting one month's worth of sales for its recently acquired McLane wholesale food subsidiary and yearly sales for its Sam's Wholesale Club division (which it hasn't broken out yet), Wal-Mart's discount department store sales were probably about $25 billion last year. Defending discount store champ, Kmart, reported corporate sales of $32.1 billion in 1990. After subtracting Kmart's specialty store and Pace Membership Club sales (both as yet undisclosed), Kmart's discount store division had about $24.5 billion in sales last year, about $500 million less than Wal-Mart. Kmart was the largest discounter for the past two decades. *DSN* will release its official discount store sales estimates in its State of the Industry census, July 22.

Wal-Mart Ends Convenience Store Test

BENTONVILLE, Ark. — Wal-Mart, which continually tests various retailing concepts, has ended its convenience store experiment by selling the nine units to Conoco, a major convenience store operator. The Wal-Mart Super USAs include eight stores spotted in the parking lots of Wal-Mart's Hypermart USAs in Arlington and Garland, Texas; Kansas City, Mo.; and Topeka, Kan., and the Wal-Mart SuperCenters in Poplar Bluff, Jefferson City and Farmington, Mo., and Springdale, Ark.

Pace Plans to Beef Up All Its Clubs

AURORA, Colo. — Pace continues to press ahead with its plan to have fresh produce, meat and bakery products in all its clubs. Staffing calls for managers for bakery, meat and produce, along with bakers, meat cutters, weighers/wrappers and produce clerks. These departments, in 38 of its 61 stores at year-end, this quarter are set to go into 17 more units: Gardena, El Monte, Downey, San Fernando, Woodland Hills and Fullerton, Calif.; Kalamazoo, Saginaw and Ypsilanti, Mich.; Charlotte and Greensboro, N.C.; Pittsburgh and Monroeville, Pa.; Lexington, Ky.; Des Moines, Iowa; Fort Collins, Colo., and Landover, Md. The departments will also be phased into the 17 Price Savers that Pace acquired last year.

Pic 'N' Save's January Sales Rise 1.1%

DOMINGUEZ, Calif. — Blaming the Persian Gulf War, Pic 'N' Save reported that January sales rose 1.1%, compared with 15% for the whole year ended Feb. 3, 1991. Several of the closeout stores are near military bases and experienced severe declines. Same store sales slumped 6.2% in January alone but rose 5.5% for the year. Sales for 1990 totaled $515.9 million, compared with $448.6 million in 1989. The 191-store chain released no earnings figures.

Jamesway Reports 6% Increase in Sales

SECAUCUS, N.J. — Jamesway reported sales for the year ended Feb. 2, 1991, were up 6% from a year earlier, totaling $896 million. Same store sales were flat for this period. The chain of 134 stores also reported that sales for the 13 weeks ended Feb. 2 were up by only 1%, while same store sales were down by 4%. Lackluster sales have plagued the retailer for the last year. However, analysts note that Jamesway has a stronger balance sheet than other troubled retailers and is "not overloaded with debt." The chain is also expected to announce some management changes, including a new president.

McCrory Creditors to Tighten Reins

NEW YORK — Credit agencies serving apparel manufacturers have warned them to tighten credit reins on money-losing McCrory Corp., York, Pa. Bernard Saads Credit Consultants also recommended holding shipments pending fourth quarter results. During the 12 months ended Oct. 31, 1990, McCrory lost $54.1 million in operations on sales of $1.51 billion from about 1,200 variety stores. Phil Lux, coo of McCrory Stores, said he has "no idea" why they took the action since McCrory is paying its bills and has met all interest payments on its bonds. "We've had no trouble with shipments, and our stores are full of merchandise," Lux said. The bond default of Rapid-American Corp., an affiliate company in the Rikus Holding Corp. structure has no bearing on McCrory bonds. Nonetheless, Moody's has lowered the rating on $2.7 billion worth of debt on all entities in the holding company, including McCrory.

Price Club Exits Buffalo Market

By Arthur Markowitz

SAN DIEGO — The Price Co. for the first time in its history will pull out of a market when it closes its only Price Club in the Buffalo, N.Y., area March 3.

The closing is symbolic of Price Club's loss of its status as the leading wholesale club, the innovative chain that competitors try to emulate.

But the closing isn't indicative of any change in the firm's fortunes. Its current 56 United States stores still remain the leader in individual unit sales, with over $100 million being the average volume. Price Co.'s total sales last year, including volume from its 10 Canadian clubs, were $5.3 billion—second highest in the industry—and are projected to grow over 22% this year to $6.5 billion.

The closing isn't even a blip on Price Club's growth as the wholesale club this year will markedly step up its expansion, with a dozen stores in the United States and Canada on the drawing board. In the past, it opened, on average, four to six units a year.

Price opened its 111,000-square-foot club in the Buffalo suburb of Cheektowaga in July 1990, "but unfortunately, sales have been far below what we expected and we do not anticipate profitability at the [store] for some time to come," said Ted Wallace, chief operating officer for the East Coast.

The company owns the site, which is in a retail-oriented shopping area. The shopping area includes a Pace and an OW Office Warehouse as tenants in the Union Consumer Square strip center about a half mile away, and two major shopping centers nearby: the 1.2 million-square-foot upscale Walden Galleria and the 856,000-square-foot Thruway Mall.

The Cheektowaga closing follows Price's shutting last fall of two test home office furniture stores. Merchandising ideas gleaned from the test are being used in many Price Clubs as expanded furniture sections are installed.

Trade observers contend that Price's move out of the Buffalo market and the closing of the two furniture stores indicate a new attitude—a recognition that the wholesale club business is changing and Price, despite its core merchandising strength, doesn't have all the answers. Execs are now studying what competitors are doing, just as other clubs acknowledged that they closely watched Price in the past in order to challenge the industry founder.

BJ's Wholesale Club has two units in the Buffalo market, one about six miles away from Price Club and Pace in Hamburg and the other about 18 miles away in Tonawanda.

The Price Club site is also about a mile from the Cheektowaga exit of the New York State Thruway. Real estate sources in the market expect the store will be converted into a warehouse to serve some local or Canadian manufacturer. Buffalo is across the Niagara River from Canada.

SPARC Rescheduled to Traditional August Date

NEW YORK — The annual SPARC (Supplier Performance Awards by Retail Category) awards dinner will not be held in conjunction with the International Mass Retailing Convention this May as was previously announced by IMRA and *Discount Store News*.

The 14th annual SPARC banquet will be held at its traditional time during the National Hardware Show Sunday, August 11 at the Downtown Marriott, Chicago. *DSN* will continue to sponsor this industrywide awards program recognizing the partnership between retailers and suppliers.

The decision was made to postpone the *DSN*/IMRA partnership with SPARC due to recent executive changes at IMRA. Both groups agreed that "time was running out" to effectively organize a smooth move of SPARC to the IMRA convention.

DSN and IMRA said that postponing the move allows greater flexibility and organization for a joint arrangement at the 1992 IMRA convention in Orlando, Fla.

Reen Named CFO of Hills Stores

CANTON, Mass. — John G. Reen, long-time vice president and controller at Hills Department Stores, was named chief financial officer and senior vice president of the troubled discount chain at presstime. (See page 1).

Reen will be the primary investor contact in addition to overseeing all financial activities at Hills. He replaces John Brouillard, who was recently named president. A certified public accountant, Reen joined Hills 15 years ago from Coopers & Lybrand, where he was an audit supervisor.

"Jack brings with him a broad base of financial expertise and strong relationships with both our employees and the vendor community," Brouillard said. "The company will continue to benefit from his skills and insight."

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Mass Merchants Hope to Snatch Auto Alarm Biz

By Richard C. Halverson
Nationwide DSN Report

After years of watching specialty shops snatch away the market for auto theft alarms—which until now required costly professional installation—mass merchants now can stock easily installed, inexpensive systems that most do-it-yourself customers can handle.

Some alarm systems, considered mobile, require no installation whatsoever and can be switched from car to car.

Moreover, a growing number of states that require auto insurers to offer discounts for auto security systems is helping to drive the business. Indeed, a new Massachusetts law permits insurers to sock owners of frequently stolen cars, such as the Camaro, with a 50% *penalty* on their comprehensive coverage if they fail to buy an alarm.

In its ads, The Fair, a seven-store chain based in Worcester, Mass., is playing up the new Massachusetts insurance penalty, said Steve Sjogren, vice president, merchandising.

The Fair laid in a three sku assortment of new mass merchant systems from Audiovox, Hauppauge, N.Y., that sell for $69, $89 and $129, Sjogren said.

In stock since Dec. 1, The Fair experienced a 40% sell-through in seven weeks from two ads, Sjogren said.

"We're just getting into the category," Sjogren said. "It's too soon to tell what we'll do." The Fair also has ordered new DIY auto security systems from Kraco, traditionally a supplier of auto sound.

For auto security systems to sell in a mass market, customers must be able to install it themselves, Sjogren said. "They won't pay to have it installed."

That rules out Audiovox's new Stolen Vehicle Locator system, which signals when a car's been stolen through radio signals it transmits. Those same signals then pinpoint the location of the car so it can be recovered. Audiovox suggests a retail price of $1,000, including installation, plus a $15 monthly fee for the monitoring and locator service.

Installation is so complex that only specialty shops will handle it, said Patrick Lavelle, vice president, security.

All three of the DIY Audiovox systems The Fair has taken are passive, requiring no driver action to arm them, so they qualify for an insurance discount on comprehensive coverage that typically runs from 5% to 10%, depending on the state.

A number of states, including, Massachusetts, California, Connecticut, Florida, Illinois, Kentucky, Michigan, New Jersey as well as Canada, mandate insurance discounts, while Texas makes them optional. To the contrary, Maryland law forbids discounts.

The Fair also has ordered the Electronic Nightstick from Kraco, Encino, Calif., which combines a steering wheel lock with a siren and a built-in strobe light. Kraco suggests a retail of less than $100, and Pep Boys—Manny, Moe & Jack carries it at $79.95, everyday.

At the Winter CE Show last month, Audiovox introduced a wireless remote auto security system, designed to retail for $99 to $119. The control unit is mounted on the dash and plugs into the cigarette lighter, and the siren is magnet-mounted under the hood. Alligator clips affix two wires to the car's battery terminals.

"This is a security product for consumers who would never think of installing a car security system themselves," Lavelle said.

Full Function Remote Controlled Security System. Added convenience of remote door locking and unlocking
Remote Controlled Security System with built-in shock also features ultra sonic sensor for full interior protection.
Passive Security System with glass breakage detector.

***Audiovox** is one of many companies making DIY auto security systems that are far less expensive to install than those professionally installed by auto specialty shops, auto security shops or car dealers.*

In comparison, alarm systems installed at dealers and specialty shops typically might start at $350, Lavelle said.

Retailer margins on mass market systems run about 35% to 40%, Lavelle said.

Audiovox expects a 25% growth in sales to the mass market, Lavelle predicted.

Mass merchants are giving more space and more prominence to the category. "Auto security now appears on end-caps," Lavelle said. "You never saw that two years ago."

Sparkomatic, Milford, Pa., another auto sound supplier to mass merchants, also has ventured into the low-end auto security field with its Road Alert system, designed to retail for $69.99. Road Alert is a battery powered, portable alarm, no installation required.

Kraco diversified into auto security two years ago, with a mobile alarm that retails for $69 to $79. At CES in Las Vegas, Kraco unveiled three DIY alarm systems that require attaching one or two wires to the ignition or battery. The new systems carry suggested retails of $64.95, $119.95 and $159.95, said Allen McCreight, director of marketing.

Kraco also makes a version of its steering wheel lock that comes without electronic bells and whistles. Target has offered it as low as $29, McCreight said.

The Club, made by Winner International, established the steering wheel lock category, McCreight said. Winner might well sell a million units in 1991 at about $40 each, he estimated. The Fair carries The Club at $49.

"With the advent of mobile systems and those that DIY customers can install themselves, auto security in the mass market is growing very rapidly."

Auto glass identification, which is starting to scratch the mass market surface, also qualifies for insurance discounts.

In New Jersey, one insurance company is offering a 10% discount if owners etch vehicle identification numbers into all auto glass.

In Texas, insurers offer discounts of 2%, 6% and 10%, depending on the region.

Auto dealers charge anywhere from $80 to $200 for glass VIN etching, said Dennis Morrow, vp of Lectric Lites, Fort Worth, Texas.

The company is marketing a DIY acid etching kit, Thief Beware, that does the job for $19.95, Morrow said. Lectric Lites expects to ship 200,000 units in 1991, starting with smaller automotive chains.

The retail dollar value of installed security systems in 1991 will hit a projected $446 million, with unit sales of 3.25 million. The Car Audio Specialists Association/Vehicle Security Association estimated in its most recent market survey that new car dealers, auto security shops, and audio specialty shops would snare 85% of the business.

The survey projected a growth rate of 20% for passive systems from 1989 through 1994 and 14% for active systems, which drivers must remember to arm.

Auto aftermarket chains that offer installation would land 10% of sales, the survey concluded, while CES chains that install would handle 5%. That survey, however, was made in the fall of 1989, just as vendors were beginning to market mobile, and now DIY, systems for the mass market.

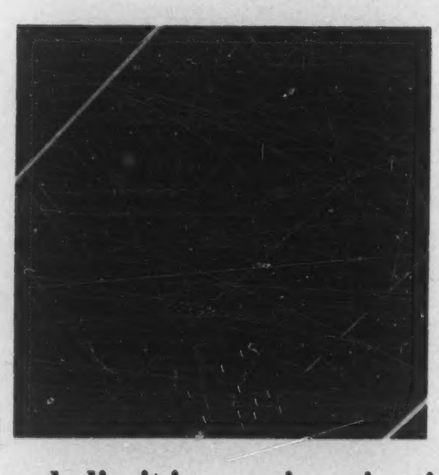
Auto Security Alarm Sales Forecast

Passive Systems	1989	1990	1991	1992	1993	1994	Growth Rate
Dollar Volume[1]	$298	$316	$333	$359	$372	$404	20%[3]
Unit Shipments[2]	2,020	2,300	2,500	3,100	3,400	4,000	
Active Systems							
Dollar Volume[1]	$95.4	$101.8	$113	$127.4	$137.9	$152.7	14%[3]
Unit Shipments[2]	516	617	750	885	1,040	1,220	

[1]Constant retail dollars, adjusted for inflation, in millions.
[2]Industry unit shipments, in thousands.
[3]Average annual growth rate, 1989 to 1994.

Source: Car Audio Specialists Association/Vehicle Security Association

Display Systems from Spencer Products



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Fred Meyer CEO Resigns

(Continued from page 1)

Meyer in 1981 and took it public in 1986, would force out the executive they hired away from Kmart to revitalize the aging chain. While at Kmart, he was vice president of specialty retailing

KKR has the reputation for letting the companies they buy run fairly autonomously, said Scott Conyers, securities analyst for Charter Investment Group, Portland. "KKR might have told him to knuckle down, quit his expansion and remodeling program and start making store operating profits hum," he hypothesized.

The operating profit margin in the four quarters before Stevens arrived was 3.3% of sales, Conyers said, while the margin in the four quarters ended November 1990 was 2.2%.

But Fred Meyer has "seen its nadir. Profits are heading back up," he added.

Conyers estimates operating profits reached $70 million for the fiscal year just ended on sales of $2.5 billion to $2.6 billion. That compares with $50 million in operating profit on $2.28 billion in sales in 1990, or less operating profit than in 1986 when sales totaled $1.67 billion. He predicts that the operating margin will reach 3.5% by 1993.

Stevens was reaching the end of a number of long-term revitalization changes, such as remodeling stores, building new and replacement units and installing a new computer system, Conyers said. But those changes hurt earnings in the short term.

With or without Stevens, the company was going to slow down its spending in 1991. Fred Meyers is building only three stores this year, including a replacement unit in Portland. It opened five new stores last year, including its first store in California, a 189,000-square-foot unit in the college town of Chico. It has placed on hold plans to enter the Sacramento market, even though it has purchased two sites there and another in Redding, Calif.

Fred Meyer now operates 122 units, of which 94 are large multi-department stores.

According to Brian Suher, vice president of Piper Jaffray & Hopwood's Portland office, Stevens was a success in every way and has left the chain "postured for growth."

He said those changes include updating an MIS system that was 20 years behind the times, reducing layers of upper management, appointing store managers for the first time, rather than have department managers report to central headquarters, and remodeling all but 10 of 121 stores.

But Fred Meyer paid a price: increasing long term debt to $270 million from $138 million when he arrived, Suher said. Fred Meyer can handle its debt level, with a long term debt to equity ratio of 0.83 to 1, he said, but investors prefer less debt.

Moreover, $132 million of that debt comes due from 1991 to 1994. That includes $8.1 million this year, compared to $1 million in 1990, $32.4 million in 1992; $32.4 million in 1993; and $59.1 million in 1994.

Fred Meyer said in a release that other executives will assume Stevens' responsibilities, so the board won't appoint an interim ceo.

Stevens' surprise departure is fueling speculation that another write-off is coming, said Richard D. Owens, analyst for Gallagher Capital, Portland. In the fourth quarter of 1989, ended Feb. 3, 1990, Fred Meyer took a write-off of $49.3 million for the costs of converting its computer system, resulting in a net loss of $6.8 million for the year.

Ken Thrasher, chief financial officer, is vehemently denying that there will be another such hit, Conyers said.

Owens estimated operating profits of $61 million on sales of $2.5 billion for the year just ended. Fred Meyer will report its 1990 results in mid-March.

Hills Secures Financing To Re-Establish Footing

(Continued from page 1)

base will be reviewed but specific cost-cutting measures, including more store closings, have not yet been determined.

Despite those cuts, Hills still plans to open two to four prototypes this year, and continue with its chain-wide remodeling program. After this year's introduction of several prototype formats, the chain had planned on remodeling 20 to 30 stores a year at a cost of $400,000 to $500,000 per unit.

Hills is already in the process of closing 28 stores, half of them former Gold Circle units which have been underperforming the chain. More store closings are likely to follow.

Despite the chain's crushing debt and its bankruptcy filing, Hills remains operationally profitable. In the third quarter ended Nov. 3—the most recent numbers available—Hills recorded an operating profit of $24 million, down from $31.5 million a year earlier. For nine months, operating profit totaled $19.1 million, down from $33.8 million a year ago.

Net results are another matter. Hills recorded a net loss of $36.1 million for the three quarters in 1990, up from a net loss of $24.4 million a year earlier. In the third quarter, Hills had a net loss of $3.99 million on sales of $557.7 million.

Hills financial woes are a combination of accumulated debt and aggressive store expansion.

The cauldron of events dates back to its 1985 leveraged buyout from the Shoe Corporation of America, which saddled the chain with crushing debt. The LBO was valued at $640 million. The situation was further aggravated in 1989 when Hills acquired 33 former Gold Circle stores.

In the chain's high growth years, 1985-1990, Hills expanded from 125 to 214 units. Couple that with a weak economy now in recession, declining overall retail sales, a troubled banking community with tight lending policies, and the Persian Gulf War, and the effect has been disastrous for Hills.

All of the above helped create the showdown on Jan. 15 when Hills missed an important interest payment on its subordinated debentures and stopped paying its vendors. Many vendors, in return, stopped shipping merchandise to Hills.

How successful Hills will be in turning the company around and emerging from Chapter 11 is unclear. Some industry observers are doubtful Hills can restructure the company and upgrade its store base quickly and effectively enough to make it a strong competitive force in the market. Others are cautiously optimistic.

Feldberg Takes Reins as Target Prez

(Continued from page 1)

place Bruce G. Allbright as chairman and ceo. Ulrich had served as president for three years, from 1984 to 1987. Allbright, who retired last year, became a corporate officer.

Target's plan is to expand to 700 stores by 1995 from 420, and Feldberg said that helping to meet the goal will satisfy his ambitions until 1995.

While at Lechmere for four years, Feldberg's ambition was to become president of a D-H division, recalled Frank Felicella, executive vp, store operations, Lechmere, which D-H sold in 1989.

As a cousin of Sumner Feldberg, co-founder of Zayre and now chairman of its successor company, TJX Cos., the new Target president is carrying on a name long associated with discounting.

After graduating from the University of Wisconsin with a degree in English, Feldberg took his first job in discounting as a systems analyst for Zayre's data processing division, writing job manuals for two years. "Warren wasn't even sure he liked merchandising until he went back to Harvard to get his MBA," Sumner Feldberg said. "A lot of retailers were courting him out of Harvard, including Dayton Hudson, he chose Bloomingdale's." Feldberg was vice president, men's apparel, when he left Bloomie's after eight years to become gmm of Lechmere.

In an interview with *DSN*, Feldberg disclosed little new about his visions of the future of both Target and himself. Instead, he stressed teamwork in his new role and helping to carry out his oft-stated goal: differentiating Target's merchandise from that of the competition and improving upon the quality of its goods.

"Target is privileged to have the best management team," the former college baseball pitcher said. "As a team athlete, I'm used to working as a team. My relationship with Ulrich won't change at all. We'll continue to pull as a team."

Jet Added to Air Wal-Mart

(Continued from page 3)

cuts to its current force of four Falcon jets, one Gulfstream jet and one helicopter, a spokesman said. He noted that the airplanes are used by all the Sears operations, not just the Merchandising Group.

The thrust of other retailers' deployment of their much smaller fleets is different from that of Wal-Mart. Other merchants use their planes to provide executives with greater flexibility in their travel plans, rather than having them rely on scheduled airlines or local air services.

Wal-Mart's air force is intrinsic to the retailer's operational philosophy of having headquarters and field executives meet weekly for direct face-to-face discussions.

The discounter uses its fleet to fly district managers nationwide to Bentonville every Friday for the chain's weekly Saturday morning meeting where headquarters and field executives discuss all aspects of the retailer's operations.

Until Wal-Mart opened seven stores in California and two in Nevada last year, its turbo prop fleet had enough range to reach all of its markets from the Rogers airport. But the nonstop distance to the West Coast, approximately 1,700 miles from Rogers, necessitated using longer range aircraft.

The FAA lists Wal-Mart's inventory of turbo props as a Cessna 150F; a Cessna 425; Beech E18S; six Rockwell Internation Commander 690B; a Rockwell Internation Commander 695, and a Gulfstream Commander 695A.

Sears Board to Ponder Retail Revamp

(Continued from page 3)

But Sears' retailing troubles resulted in Edward A. Brennan, chairman and chief executive officer, denying a *New York Times* report that the retailer planned to shut its 113-year-old catalog division and may resume talks on merging the Merchandise Group with Montgomery Ward.

Brennan's denials came as Standard & Poor's downgraded about $10 billion worth of Sears senior debt from A+ to A. S&P also lowers the senior shelf debt on the Discover Credit Corp., Sears' charge card subsidiary, to A from A+, but affirmed the A-1 rating of the commercial paper issued by Sears, Sears Roebuck Acceptance Corp. and the Discover subsidiary. Sears' plan to have Dean Witter issue a 'Prime Option' Visa card next month would enhance the bottom line of its financial services subsidiary which began the Discover card in 1985.

The Merchandising Group issues the Sears charge card. But the retailer said the proposed Visa card wouldn't be accepted in its Sears stores. MasterCard and American Express cards also aren't accepted in the stores.

Sears contends that tests have shown that bank and entertainment cards cut into customer use of the Sears and Discover cards and additional sales don't cover the handling costs. Sears Consumers Financial Corp., a Dean Witter operation, has gone to court to overturn a ban initiated in 1989 by Visa U.S.A., the parent of the Visa card. It prevents issuance of a Visa card by organizations associated with the Discover or American Express cards.

The Federal Court in Salt Lake City, Utah, is considering SCFC's request for a preliminary injunction to allow Sears' MountainWest Financial saving and loan association in Sandy, Utah, to issue a Visa card to 6.5 million consumers.

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Ex-TRUers Eye Child World

By Laura Liebeck

CLEVELAND — An investment group that includes two former Toys "R" Us executives expects to purchase the 182-unit Child World toy chain by mid-April.

CNC Holdings, Child World's parent, signed a letter of intent with WC Acquisition Corp. Feb. 20 for its 82% equity in the toy chain in a non-cash transaction. The agreement also calls for a payment of $2 per share, or $24 million, for Child World's 2 million shares of publicly traded stock.

Leading the acquisition for WC Acquisition are W. John Devine and Ronald E. Tuchman, both formerly of TRU.

Devine is credited with expanding the TRU franchise in California in the late 1960s and early 1970s and for spearheading the chain's expansion into foreign markets beginning in 1982. According to the purchase proposal, Devine was instrumental in designing the overall corporate structure of Toys "R" Us, including systems relating to store merchandising and operations, distribution and warehousing, buying, advertising and MIS. Having spent 17 years with TRU, Devine retired as an officer and director of the chain in 1983.

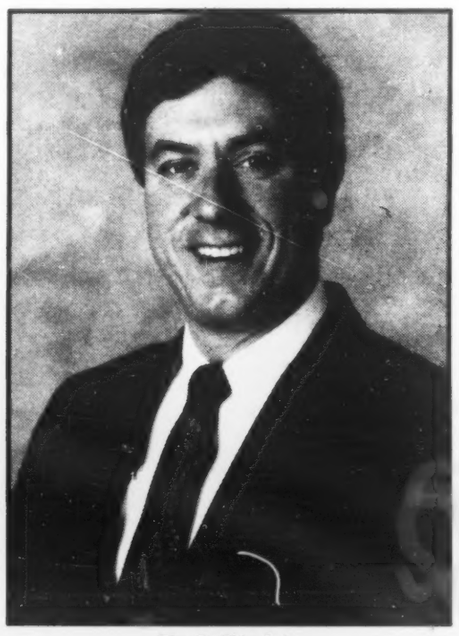
Tuchman, currently an executive officer of the Toy & Sports Warehouse chain of five stores, spent 24 years with TRU, lastly as senior vice president/director of purchasing and an officer of the corporation. He was in charge of negotiating buying programs with vendors, all buying, merchandising, planning, open-to-buy projections, purchase order flow, return goods and imports.

In addition, Tuchman, with other executives, developed the purchasing system and theories that are currently being used at TRU. And he was personally responsible for bringing video games and computers into the toy business in the early 1980s, according to his biography in the purchase proposal.

"I am pleased to be dealing with a company having the management strengths and toy industry experience to build on the Child World franchise," said Jeffrey A. Cole, chief executive officer of CNC Holding. "John Devine and Ronald Tuchman have over 50 years of combined experience in the free-standing retail toy business."

(Continued on page 28)

Tony Dignum



Bob Sirkis

Shake-Up at Silo: Dixons Exec Assumes Top Post

By Pete Hisey

PHILADELPHIA — In a surprise move, Silo's British parent, Dixons, has lopped off the top management of the nation's No. 2 consumer electronics chain and replaced it with Dixons veterans. Former president and 18-year Silo veteran Barry Feinberg has been relieved of all executive duties, although he will remain with the company as an advisor and honorary chairman, as well as a non-executive director of Dixons Group.

The new president is Tony Dignum, formerly Dixons Group financial director, who brings with him two other senior Dixons executives, Danny Hourigan, who will assume the post of senior vice president of retail operations, and Roger Salmons, who will serve as senior vice president of marketing. Both will report directly to Bob Sirkis, newly named executive vp, operations, who will evidently run day-to-day operations. Sirkis joined Silo late last year as senior vp of marketing, after a

(Continued on page 28)

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Hills' Vendors Shipping

CANTON, Mass. — Fifteen of Hills' top 40 unsecured creditors formed a committee last month to negotiate with the chain during its Chapter 11 proceedings.

Led by Hasbro and Bankers Trust, the creditors committee is dominated by financial institutions. Only five manufacturers—Hasbro, Handelman, Sara Lee, Tonka and American Greetings—and two factors, Heller Financial and Bank of New York, were appointed to the committee, formed Feb. 15.

Currently, the committee is in the process of selecting legal advisers and investment bankers to represent all unsecured creditors during Hills' Chapter 11.

During the Feb. 15 meeting, Hills said that 1,200 vendors were shipping merchandise to the chain. More vendors are returning every day. "There is no major shipper that hasn't agreed to work with them," said a company spokeswoman.

Hills next hurdle was scheduled for Feb. 25 when company representatives were to appear again in bankruptcy court to gain access to the remaining $150 million of DIP (Debtor in Possession) financing. The first $100 million of the $250 million DIP total was awarded Feb. 6. Hills filed for bankruptcy protection Feb. 4.

Prior to that date the discounter had been making some cost-cutting and belt-tightening measures to help strengthen the chain. Chief among those changes was the decision to close 28 underperforming stores, half of them former Gold Circle locations, a move that is almost complete.

Prior to that, in November, company president Stephen A. Goldberger resigned, succeeded by John Brouillard, the chain's chief financial officer.

Recently, Hills announced that John G. Reen, vp and controller, was promoted to cfo. Reen is a 15-year Hills veteran.

Two other personnel changes were recently announced: Virginia Rago, previously vp, merchandising systems, to senior vp, logistics and information systems; and Joy Ehmann, formerly assistant vp, merchandising systems, to vp, merchandise planning and control.

In other news, an existing refurbishment program is moving forward. Hills announced that the program—to feature a few prototypes later this year—will include building exteriors and parking lots in addition to store interiors.

Hill's Unsecured Creditors Committee

Hasbro
Handelman
Sara Lee
Tonka
American Greetings
Heller Financial
Bank of New York
State Street Bank
Fleet National Bank
Executive Life
Westinghouse Credit
Shawmut Bank
Equitable
Manufacturers Hanover
Bankers Trust

Source: Hills

Kmart May Claim BJ's, HomeClub

By Richard C. Halverson

NEW YORK — Unexplained spurts in the stock price of Waban, parent of BJ's Wholesale Club and HomeClub, have renewed speculation that it, too, will join the list of acquired warehouse chains.

Many analysts regard Kmart as the likely buyer. In 1988, Kmart acquired a half-interest in Makro, a hybrid of a warehouse club and a hypermarket, and later bought the other half of Makro from its Netherlands-based founder.

In 1990, Kmart acquired Pace Membership Club, giving it a major presence in the warehouse club field. Then in January 1991, Pace acquired the 16-unit Price Savers chain, bringing the total to 77 units.

The acquisition of BJ's 27 units would put Pace within striking distance of Costco as the third largest warehouse chain in dollar volume and give it a strong presence in the Northeast. Wal-Mart's Sam's Club division late last year acquired the 30 units of The Wholesale Club, Indianapolis, solidifying its lock on the No. 1 spot in total sales.

Price Club, which pioneered the concept, holds the No. 2 spot.

A Kmart spokeswoman declined to comment on acquisition speculation.

(Continued on page 27)

MARKETWATCH

Wal-Mart Rated a 'Most Admired' Corp.

BENTONVILLE, Ark. — Wal-Mart Stores was among *Fortune* magazine's top 10 list of "America's Most Admired Corporations" for 1990, in the company of firms that supply the chain such as Rubbermaid, Procter & Gamble, 3M and Johnson & Johnson. The poll is conducted among over 8,000 senior executives, outside directors and financial analysts.

Ward Names DMB&B as New Ad Agency

CHICAGO — Montgomery Ward has named D'Arch Masius Benton & Bowles (DMB&B) as its new advertising agency, replacing Saffer Advertising, which had serviced the account since 1988. Bernard Brennan, Ward's chairman and ceo, said that "after a thorough review of several highly qualified [agencies], we determined that DMB&B offered the broadest array of services that would best suit our needs as we continue our aggressive growth into the 1990s."

Target's Gilpin Honored by Magazine

MINNEAPOLIS — Larry Gilpin, senior vice president of Team, Customer and Community Relations for Target Stores, was recently named 1990 Human Resource Executive of the Year by *Human Resource Executive* magazine. The magazine recognizes excellence and leadership among human resource professionals. Gilpin was praised by the magazine's publisher, Alan Novak, for "making Target a 'Fast, Fun and Friendly' place for employees and customers." Gilpin was specifically cited for his success with Target University, an off-site employee training program fashioned after Walt Disney's Disney University, and Let Me Know, an ongoing program for open communication between employees and top management.

Hills Raises Special Olympics Funds

CANTON, Mass. — Employees of Hills Department Stores raised $114,894 this year for the Special Olympics campaign. Recently, employees at 14 Hills stores contributed $30,544.06 to the campaign. The 1990 contributions were a record for Hills, the company said. Hills has participated in Special Olympics fundraising for eight years.

Rose's Outlook Not Rosy After Fiscal '90

HENDERSON, N.C. — In a gloomy preliminary year-end report, Rose's Stores announced lower than expected income and flat sales for fiscal 1990, suspension of dividends, a series of store closings in 1991, and continuing margin erosion. The company reported that sales for the four weeks ended Jan. 26, 1991 decreased 13% to $67.4 million, and simultaneously announced that it will close "approximately" 25 stores in the coming year. The sharp sales decline was credited to a change in the year-end date, resulting in fewer days within the period; January 1991 sales were based on 28 days instead of 30 days. On a comparable day-to-day basis, sales were essentially flat, edging up 0.3%. The company has suspended payment of dividends "until future operating profits warrant reinstatement." Fiscal 1990 saw continuing erosion of gross margin, brought on in part by heavy promotions in the fourth quarter. Sales were up 1.2% to $1.5 billion, but earnings, which have not been released, were described as "significantly less than 1989 earnings" stemming from "lower than planned sales and margins."

Brendle's Promotes Luka to Top Spot

ELKIN, N.C. — Brendle's has promoted Steven W. Luka to vice president and general merchandise manager of the 57 showroom chain from divisional vice president of hard lines merchandising. He will be responsible for coordinating all of the cataloger's jewelry and hard lines merchandising activities. Luka was recently honored by the National Association of Catalog/Showroom Merchandisers with its Bettye J. Lewis Award.

Jan Bell Marketing to Supply Pace, Sam's

SUNRISE, Fla. — Jan Bell Marketing has signed agreements to supply jewelry, watches and other merchandise to Pace Membership Warehouse and Sam's Wholesale Club. The Pace deal runs for six years and calls for Jan Bell to expand its department to all Pace stores, exclusively supplying them with jewelry, watches, fragrances, writing instruments and sunglasses. The two-year Sam's agreement positions Jan Bell as the primary supplier of jewelry, watches and fragrances all to the chain's stores during that period. Last summer, Jan Bell and two other wholesale clubs, Price Club and Costco, ended their relationships.

48 Towers Due for Remake

Parent Company Plans Revamp to Zellers' Format

MONTREAL — Zellers plans to complete the conversion of 48 Towers stores by April 17, according to John Urie, executive vice president.

All but three of the original 51 Towers stores acquired by Zellers' parent, The Hudson's Bay Co., from The Oshawa Group, last October are currently being renovated to conform to the latest Zellers prototype. Urie projected that sales at these stores will rise substantially. "We expect these stores to show double digit percentage increases," Urie noted. The conversion will bring the total number of Zellers stores to 266.

While the total cost of the renovation was not disclosed, at the time of the acquisition, Gary Lukassen, executive vp and chief financial officer at Hudson's Bay, estimated that it would run into "several hundred thousand [(dollars)] per store."

The renovations are extensive, involving fixtures, aisles, decor and entrance location. "The front purchase pathway needs to come out from the main entrance," Urie said. "In very few instances, entrances will need to be changed."

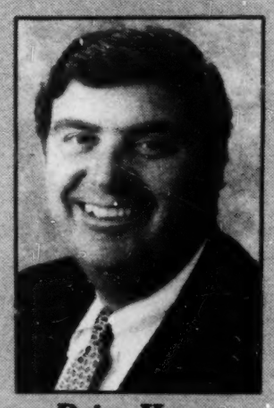
The simultaneous conversion of 48 stores is said to be manageable for the chain because, "We've had a lot of experience renovating many of our own stores," Urie said.

Consumers are being prepared for the changeover from Towers' to Zellers' format by advertising circulars promoting a "Renovation Sale."

One of the remaining three Towers will become a The Bay department store; the fate of the other two is up in the air.

Peter Hayes Takes Helm Of Family Dollar Stores

MATTHEWS, N.C. — Discount industry veteran Peter Hayes has joined Family Dollar Stores as president and chief operating officer, and also as a member of the chain's board of directors. In his new position, Hayes takes charge of 1,692 Family Dollar stores in a 27-state territory, and reports to Leon Levine, chairman and chief executive officer.



Peter Hayes

Levine noted that Hayes is well equipped to assume the post, bringing to the company "strengths in merchandising, both soft goods and hard lines, and operations."

Hayes had resigned as president of Child World last January, having held the position with the toy retailer since June 1988. His extensive retail background includes Gold Circle where he was chairman and chief executive officer and Hills Department Stores, where he was senior vice president and general merchandise manager.

Jamesway Exec Team Shuffle Continues

SECAUCUS, N.J. — Jamesway Corp. has added three new members to its management team. This makes a total of five new appointments at the 132-unit discounter in the last few months.

The newest members of the Jamesway team include:

- Paul Roth, senior vice president and general merchandiser in charge of soft lines. Previously, he was senior vice president of Macy's Southeast.
- Jane Greenspan-Sims, divisional merchandise manager of the ladies' sportswear division. She had been divisional merchandise manager at Macy's New York.
- Joseph Kassa, director of advertising and sales promotion. He was formerly director of advertising at Consumer Distributors.

According to a company release, the appointment of a new president to succeed Arlie Lazarus, who left last year, is imminent.

Jamesway has been struggling with poor sales performance and recorded a decrease of 4% in same store sales for the last quarter ended Feb. 4, 1991. Unlike other troubled retailers, however, Jamesway is not heavily laden with debt. Herbert Fisher, chairman, noted that "with our new management team in place and our strong balance sheet, Jamesway has bright prospects for the future."

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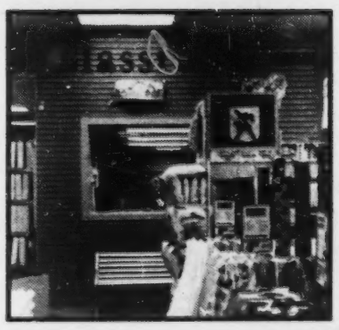

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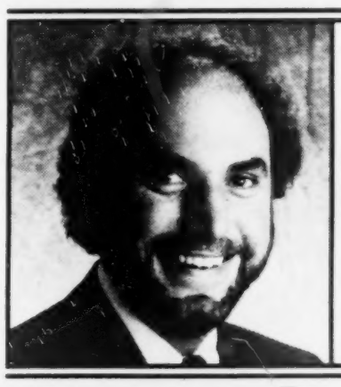
EDITORIAL

Differentiation Can Cut Two Ways

Differentiation is often like a fatal attraction. As many retailers strive to be different, they are attracted to ideas and concepts with which they should not become involved. They get caught up in the heat of the moment, so to speak, and fail to see the downside of what on the surface appears to be a great idea. In some instances, this great idea alters a retailer's core philosophy and leaves the customer confused.

Sears is a perfect example. Attracted by the sexiness of an everyday low price strategy, Sears jumped into this strategy without considering its long-term impact. Remember how the chain lowered prices on 50,000 items, guaranteed low everyday prices and virtually eliminated its very successful sales and promotions? Sears even resorted to one of the tackiest gimmicks—Scratch and Save—that I have seen in recent years just to avoid using the beloved four-letter word—sale. Now, Sears is being taunted by a strategy it fell in love with and it cannot find a way to gracefully end the relationship. The net result is this: Customers are confused and embittered, and the chain is floundering.



TONY LISANTI
Editor

Because discounting is in many ways a name brand, commodity-driven business, differentiation is very difficult for many retailers—even Wal-Mart—to achieve. The Bentonville, Ark., retailer has successfully used the everyday low price strategy to differentiate the chain from the pack. It worked for Wal-Mart because it was a way of doing business from the time the chain was founded. Sears tried to change a complex, deeply rooted philosophy overnight. Wal-Mart has also tried other things to differentiate the chain, such as its Buy American program. While Wal-Mart has been able to achieve differentiation, particularly in hard lines, it has not been product or brand driven, but based on business strategies.

The bottom line is that differentiation in hard lines is very difficult. That's why so many retailers have focused on soft lines to achieve this elusive goal. Discounters are scrambling for soft lines supremacy and this strategy will intensify through the 1990s.

Remember the recent popularity of the shop-within-the-store concept—pioneered in discounting by both Gitano and Caldor? It's still going strong and has helped Caldor and other retailers generate excitement and more importantly traffic in its stores. However, the downside is overemphasis and dependence on one brand which alters the mix and hinders flexibility in the fickle fashion business.

Kmart has attempted differentiation through its savvy marketing tactics. Through its celebrity spokespersons (particularly Jaclyn Smith and, more recently, Rachel McLish), the discounter has tried to establish strong identity, exclusivity and continuity.

Most recently, Target announced an exclusive agreement with Merona to develop a full line of sportswear for men, women and children. In addition, the collection will be merchandised in an in-store shop concept. Formerly a strong department store brand, Merona is Target's first established brand name. "Merona is another important step in our desire to differentiate our product offering from our competitors," said Gregg Steinhafel, Target's senior vice president and general merchandise manager of soft lines.

On one hand the opportunity to merchandise a "department store" label is a coup for Target, but on the other hand, one wonders if it is a fatal attraction. Does it fit in with Target's product mix? Will it enhance customer appeal? Or will it alter the chain's image?

I envision many more department store brands like Merona trickling down to the mass market in the next few years. The key for discounters is to be patient, particular, and pick what's right for their customers.

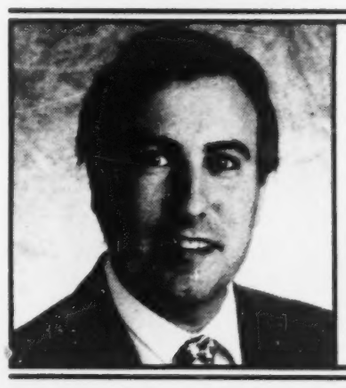
Differentiation is a critical competitive advantage in the 1990s. Don't let it become a fatal attraction.

BUYERS & SELLERS

DSN Gears Up For State of the Industry

A quarter of the way into the new year, 1991 is shaping up as a year to remember. The predicted recession has already taken its toll on a number of chains and financially ailing manufacturers are in a quandary over whether to continue to ship merchandise to other tottering retailers. But, if history provides any insights into what to expect in the future—and there is no guarantee that it does—then I anticipate 1991 will be filled with the usual share of success stories and failures.

DSN has been recording the history of the discount industry for the past 29 years. It's seen the ups and it's viewed the downs. Each year, *DSN's* annual State of the Industry report, which in the mid-'80s was split into two issues in order to accommodate the voluminous amount of information presented, becomes the almanac that chronicles another year in the history of discount retailing.



DON LONGO
Exec Editor

For those of you who are hooked on the concept that history is a precursor of things to come, here's a choice morsel: Only two of the top 10 chains of *DSN*'s list of leading discounters 10 years ago are still among the top 10 discount chains today. How you interpret that fact illustrates a lot about the power you have to shape your future. If you think that is an indication that the discount concept is dying, that eight huge industry-leading chains of 10 years ago have fallen by the wayside, then you are likely to be extremely nervous about the coming year.

I prefer to think that eight chains have honed their operations, merchandising and marketing strategies over the past 10 years to climb to positions of eminence among retailers today. I expect that in 10 years, the top 10 list of discounters will barely resemble today's—and I view that as good news!

DSN has begun to assemble its yearbook on the 1990 discount retail industry. As in past years, *DSN* will publish the only list of the top 150 discount chains, both public and privately held. Unlike attempts by other publications at looking at the discount industry, *DSN's* State of the Industry report provides a wealth of information in addition to the chain's sales results. *DSN's* Top 150 list includes year-earlier sales, operating income (both 1990 and 1989), and number of stores (last year, the previous year and the total projected by the end of the current year).

The State of the Industry report also provides an accounting of the year's major mergers, acquisitions and leveraged buyouts. Separate charts identify the major segments of the mass market discount industry, listing the top chains among full-line discount department stores, membership warehouse clubs, catalog showrooms, CE chains, toy chains, auto parts chains, sporting goods chains, hypermarkets, dollar discount chains, closeout goods chains, off-price apparel chains, and office supply megastores. There will also be breakouts on the leading variety store chains, deep discount drug stores and *DSN*'s second annual census of leading Canadian discount retailers.

Whew! And, there's more. Who led the industry in dollar sales growth? How about percentage sales growth? Who was most profitable on an operating basis? Whose operating income grew the most in percentage terms? And, what about store count growth? *DSN*'s State of the Industry report has it all. And, that's just in Part I: Chain Analysis. In the next issue, *DSN* takes a look at the sales and productivity of 18 major departments in the full-line discount store. Part II: Merchandising Analysis is just as valuable.

So, keep an eye out of the July 22 and Aug. 5 issues of *DSN* and please have patience with our staff of editors and reporters who will be communicating with you over the next few months to gather data for these special issues.

Finally, if there happens to be a statistical measure that is not covered by the State of the Industry reports Parts I or II, please give me a call or fax me your suggestion. I promise that *DSN* will do its best to provide accurate and substantive information about the discount industry. Call 212-371-9400, ext. 227 or fax 212-980-8574.

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Shopping expectations

With "caution" the consumer credo, and even the Federal Reserve calling the current economic state recessionary, it is critical that retailers understand their men's wear customers.

Merchants certainly need the ability to predict—or at least make an educated guess at—which fashions will lure the buying public into their stores. But in a world that continues to grow more competitive, they've also got to understand what consumers like and dislike about shopping in general.

What motivates specialty store shoppers to make their purchases in these outlets? What do men's wear customers find compelling about the mass merchants?

Department stores are favored by close to half of all shoppers

Where do you shop most often for men's apparel?	Total	Age 18-24	25-34	35-49	50-64	65+	Income Under $20K	$20K-$39.9K	$40k+	Region East	Midwest	South	West
Department store	45%	52%	49%	55%	30%	33%	37%	43%	55%	41%	39%	49%	53%
Specialty store	16	25	16	14	18	12	15	15	22	20	19	12	15
Discount store	14	6	10	15	20	15	17	18	5	12	17	14	11
Sears	13	6	11	7	23	18	15	15	8	14	11	15	10
Off-price store	3	2	5	2	4	2	3	3	2	5	4	3	—
Catalog/mail order	3	1	2	5	3	3	2	2	5	2	3	2	5
Montgomery Ward	1	—	3	1	1	1	2	2	1	2	1	1	2
Other	2	4	1	—	1	5	3	—	1	1	3	1	3
Do not buy clothing	2	3	1	1	—	11	5	2	—	2	3	2	1
Don't know	1	1	2	—	—	—	1	—	1	1	—	1	0

Source: The Gallup Organization for *AM*

Abundent apparel selections attract most men's wear customers, although discount shoppers say price is the lure.

Abundant apparel selections attract most men's clothing customers to the stores they most often frequent, according to an exclusive study by the Gallup Organization for *Apparel Merchandising*. More than 36% of the 1,007 men and women who participated in the survey say the quality of assortments bring them into their stores of choice.

However, among those who most often shop for men's wear at discount stores, price—this won't come as a surprise to Sam Walton—is the number one response. Nearly 77% of those who usually purchase men's wear in discount stores say that they do so because ►

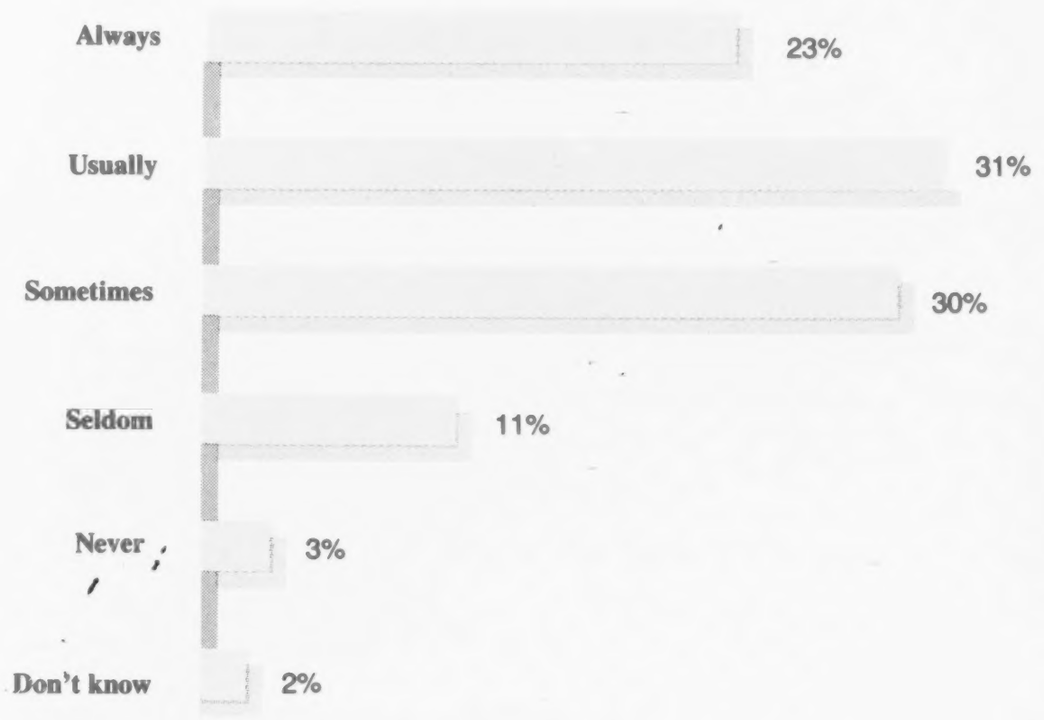
Assortments are key to shoppers' choice of store

Why do you usually shop in the store in which you most often make your men's wear purchases?	Total	Age 18-24	25-34	35-49	50-64	65+	Income Under $20K	$20K-$39.9K	$40k+	Region East	Midwest	South	West
Good selection	36%	52%	34%	35%	34%	30%	34%	34%	42%	34%	35%	36%	41%
Best value/price	29	17	33	28	31	32	35	31	21	30	27	33	25
Convenient location	15	10	16	17	13	14	13	17	14	14	16	15	13
Better quality	7	5	8	5	9	6	7	7	7	9	5	9	3
Easy to shop	6	7	6	5	4	7	6	4	6	5	7	5	6
Best size/fit	5	2	7	5	8	3	4	5	7	6	6	2	7
Service	3	4	2	4	1	6	2	2	6	3	4	2	5
Like store	2	4	1	3	1	1	1	3	2	2	3	1	3
Name brands	2	3	2	2	3	1	2	2	2	3	1	2	2
Have charge card	2	2	2	1	2	1	3	2	1	1	1	3	2
Habit/always go there	1	—	1	1	1	—	—	—	2	1	1	1	1
Other	2	2	—	3	4	2	2	3	2	2	2	2	3
Don't know	4	7	5	2	2	5	4	4	2	4	3	4	3

Source: The Gallup Organization for *AM*. Percentages add up to more than 100% due to multiple answers.

Consumers buy branded men's wear

(How frequently do you buy brand name items?)



Source: The Gallup Organization for *AM*.

they believe these outlets offer the best prices.

Only 24% of the department store customers—the largest group of men's wear buyers, according to the study—shop at these operations because they believe department store prices are the best.

Price is definitely not what draws specialty store customers. Less than 10% of this group say that they shop in these operations because of price. Rather, it is quality of assortments that attracts the specialty store shopper.

More than 54% of those who claim that they usually buy men's wear at specialty stores cite the merchandise mix as the reason that they shop there. About 39% of the self-proclaimed department store shoppers answer in kind, while 33% of the Sears customers say selection is the draw. Near 40% of those queried who usually shop in off-price operations say they do so because of the assortments. Only 9% of discount store customers mention selection as the draw.

This doesn't mean that discount stores' efforts to revamp their apparel areas are wasted, although the results do suggest that the current discount store consumer would be much more apt to buy fashion, as it's said in the market, "at a price."

Price and selection play obvious roles in attracting shoppers. So, apparently, do brands. Approximately 55% of the survey participants "always" or "usually" buy brand-name items.

Amateur apparel psychologists have often speculated that the follow-the-leader mentality of many young people leads to the fashion trends or popularity of the label-of-the-moment. It may be inferred from the result of the study that this view is correct. According to the report, 77% of those in the 18-to-24 age group always or usually buy brands. By comparison, 53% of the baby boomers, 25-to-40-year-olds, are apt to buy brands.

In terms of income, participants in households generating $40,000 or more annually are most likely to buy brands. A total of 63% say they always or usually buy branded goods. About 54% and 52% of those with earnings of $20,000 to $39,000 and below $20,000 a year, respectively, claim to always or usually pick up a label when they shop for men's wear.

On a regional basis, it is shoppers in the South who are most likely to purchase branded men's wear; 57% in this group always or usually buy brands. In the Midwest, 55% say they always or usually seek the labels, while 53% in the East and West are likely to buy branded merchandise.

Well-known labels, stylish merchandise, and price tags influence consumer decisions, but once inside the store, what aspects of customer service are applauded by men's wear shoppers?

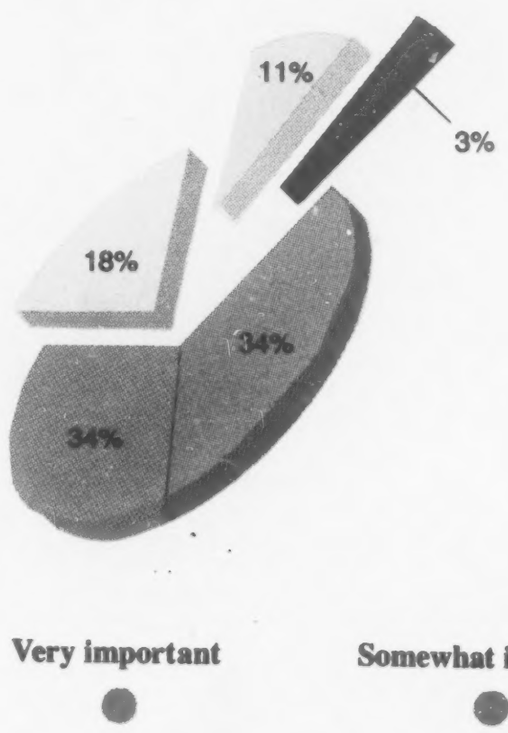
Interestingly, self-service, the modus operandi of the discount store, is judged important by a large percentage of respondents. It is most appealing to 18-to-24-year-olds, as 77% of this group say it is "very" or "somewhat" important that they are able to shop without assistance from salespeople.

These results are in a sense ironic. Although this group embraces the self-service concept, the study shows that its members are least likely to make their men's wear purchases at discount stores. Only 6% mention these types of outlets as the places they most often shop for men's apparel. ►

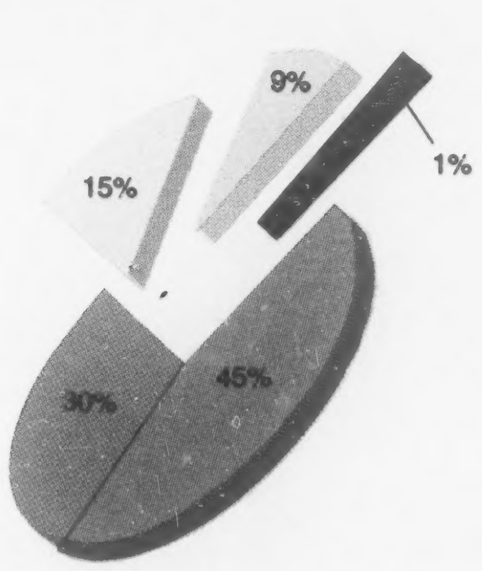
Service counts when shopping for apparel

When shopping for men's clothing, how important is it that...

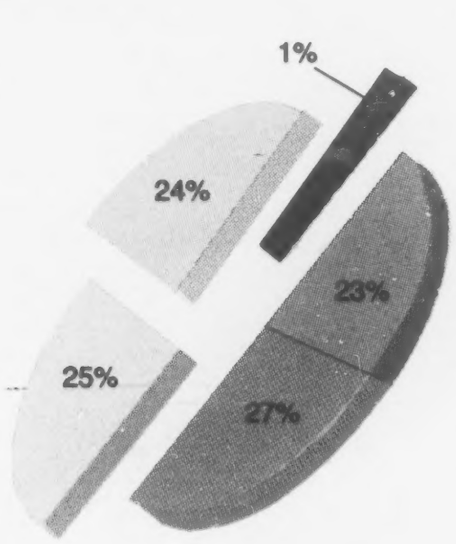
You are able to shop without assistance



There are sales people available to provide you with information on merchandise locations



There are sales people available to help you make purchasing decisions



Very important ● **Somewhat important** ● **Not too important** ● **Not at all important** ● **Don't know** ●

Source: The Gallup Organization for *AM*.

It must be noted, however, that the younger respondents don't stand alone. Nearly 68% of the total men and 67% of all the women surveyed say it is important to be able to shop without assistance. About 70% of the shoppers that are 25 to 40 believe self-service is important.

In terms of income, being able to shop without assistance is least crucial to those in $40,000-plus households. Nevertheless, 61% in this group still say it is important that they are able to find merchandise themselves. A total of 69% in the $20,000-to-$39,999 group and 75% in the under-$20,000 income sample agree.

While the ability to shop unaided is considered attractive to most shoppers, that doesn't mean they don't want at least a minimum of *potential* sales help.

Of those queried, 75% say it's important that there are salespeople available to provide information on merchandise location. Older men's wear customers apparently place a premium on the availability of in-store directions. More than half, 51%, of the 50-to-64-year-olds, and 55% of those 65-and-older believe it is "very" important for stores to have salespeople available.

Only 40% in the 18-to-24 group answer in kind, while 42% of the 25-to-34 and 35-to-49-year-olds say directional help is "very" important.

But fewer want customer service that extends beyond the basics. About 50% think it is important that stores have salespeople available to help make purchasing decisions.

It is noteworthy that those in the lowest income group—with household incomes under $20,000—want more intensive customer service. About 61% of these men's wear shoppers say that having salespeople available to help them make up their minds about buying items is an important part of the shopping experience. Only 48% of those in the $20,000-to-$39,000 group and 45% whose income is above $40,000 say this kind of service is important.

A total of 54% of the participants in the Midwest and South say they think this kind of service is important, while 52% in the West see it that way. Help with purchasing decisions is least important to men's wear shoppers in the East, where 44% say it's important.

Retailers may be able to judge the level and type of customer service that best suits their shoppers, but they've also got to be able to size up the competition, which doesn't only come in the form of other stores.

While very few men's wear customers, 1%, say they "always" make their men's apparel purchases through catalogs or mail order, a sizable portion do choose to buy through this alternate method at certain times.

Women buy by mail more often than men. Nearly 29% of the 35-to-49-year-old women in the survey use mail order or catalogs "sometimes," and 2% in this age group "usually" shop by mail. About 24% of the total distaff side purchase men's wear that way "sometimes."

Men as a group are more prone to make their purchases in-store. Only 14% of the males surveyed say they shop by mail "sometimes." The most likely to purchase through the mails, like their female counterparts, are in the 35-to-49-year-old group, where 18% "sometimes" take the catalog route.

Those in the higher-income group are much more likely to shop catalogs and mail order; 32% of the women in $40,000-plus households and 24% of the men in this economic group send away for apparel "sometimes." This doesn't necessarily mean that lower-income people aren't potential catalog customers. It may simply reflect the fact that higher-income groups receive more mail order offers.

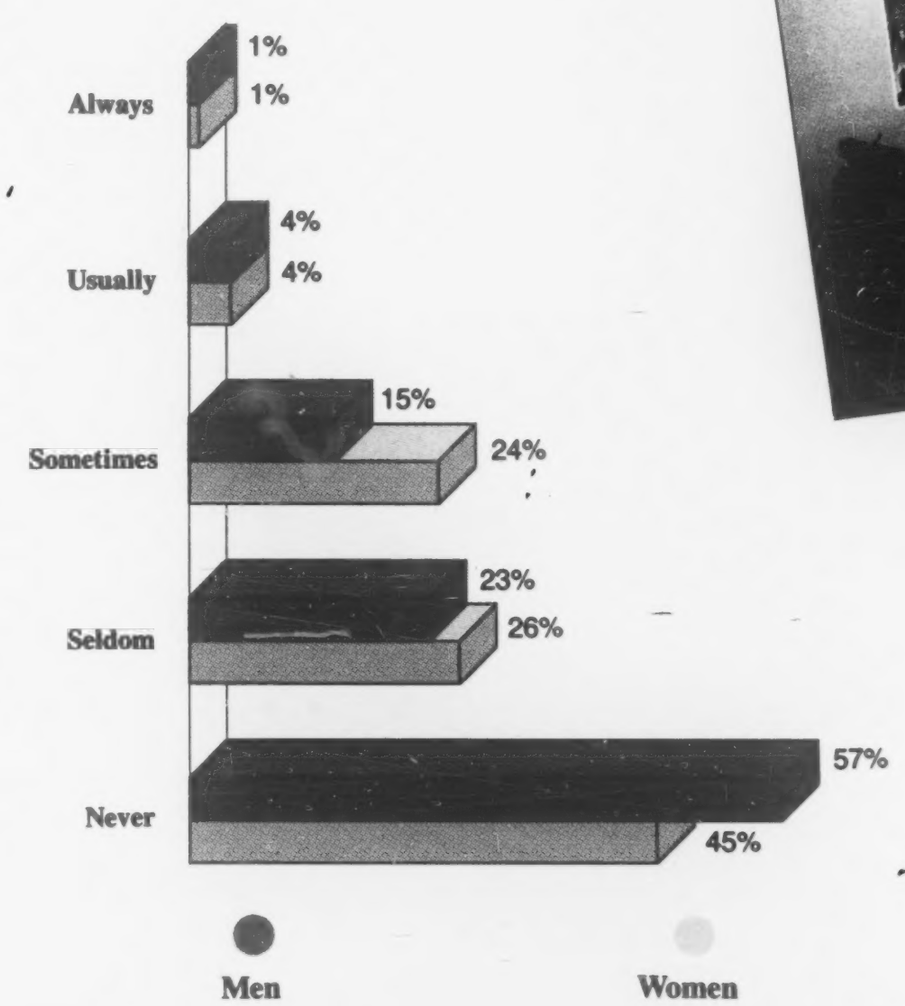
It doesn't come as a surprise that those who purchase through the mails list "convenience" as the primary reason. Almost a quarter, 24% of the total sampling, say that is why they make their men's wear purchases out-of-store.

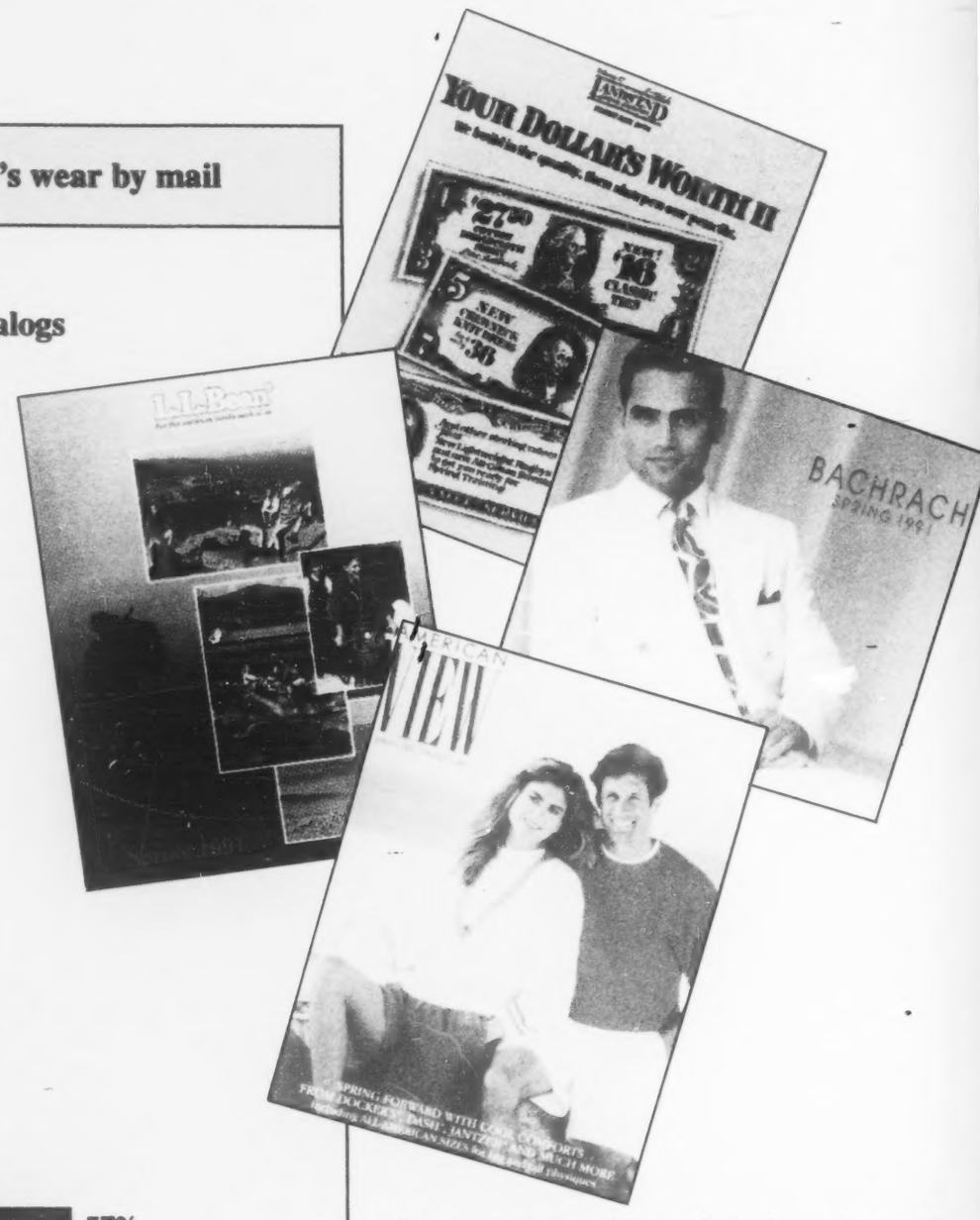
As baby boomers and others in their peak earning years continue to spend more time with their growing families or on the job, it has become increasingly difficult for retailers to woo them into their stores. Add a shaky economic environment and the possibility of an extended war in the Middle East, and the problem becomes even more troublesome.

Merchandising executives will have to use as many tools as they can handle to stay on the tightly contested mercantile playing field. Understanding customer shopping expectations is akin to reading the rules before starting to play the game. ◢

About a quarter of shoppers sometimes buy men's wear by mail

Men are less likely to buy through catalogs





Source: The Gallup Organization for *AM*.

Broken sizes frustrate shoppers

What do you dislike most about shopping for men's clothing?	Total	Gender		Age				
		Men	Women	18-24	25-34	35-49	50-64	65+
Lack of size	13%	12%	15%	14%	15%	14%	12%	13%
High prices	10	13	7	15	12	8	8	9
Poor selection	8	6	10	12	12	6	5	5
Poor fit	7	4	10	8	7	7	5	6
Going to a store	6	9	2	1	5	8	8	7
Pushy salespeople	6	9	2	9	5	6	6	4
Not knowing what the intended wearer likes	5	—	11	7	4	6	4	3
The time it takes	5	8	—	3	5	6	4	2
Finding what I like	4	3	5	9	4	4	2	2
Crowds	3	5	—	3	4	3	3	—
Lack of service	3	4	1	1	1	4	4	4
Style	2	3	2	2	3	3	2	2
Waiting in line	2	3	1	6	1	2	1	2
Color selection	2	2	2	3	1	2	2	2
Trying on clothes	1	2	—	—	2	1	1	1
Boring	1	—	1	1	2	1	—	—
Other	13	12	13	8	12	14	14	11
Nothing	21	18	26	11	16	22	30	26
Don't know	8	8	8	9	7	5	6	16

Source: The Gallup Organization for *AM*. Percentages don't add up to 100% because of multiple answers.

APPAREL

Women's • Men's • Children's • Hosiery • Jewelry & Accessories • Underwear • Intimate Apparel

Fashion a Giant in Big & Tall

Larger Men Want Better Selection And Discounters are Responding

By Marie A. Peluso
Nationwide DSN Report

Fashion seems to have taken over big & tall in a big way. No longer are men of larger sizes confined to just the basic essentials in wardrobe: Today's bigger and taller man wants more selection from which to choose.

Big & tall men's wear accounts for approximately 10% of total men's wear sales, according to Jeff Yunis, president and executive director of Specialty Trade Shows, New York. Within the big & tall category, discounters are responsible for 58% of sales.

Capitalizing on this trend, discounters and other retailers have adjusted their product lines as the fashion aspect gains a more prominent role in consumer needs.

Yunis noted that sales of big always fare better than tall because it's easier to hide height than weight. "What's hot, you'll see at the shows—in size 60," he said.

George Tepper, president of Bond Street Suspender & Belt Corp., Brooklyn, N.Y., added, "They [big & tall customers] want to be dressed just like a person who is 5'11". They want to be dressed just like the person who is 175 pounds."

To accomplish this, the manufacturer explained, accessories like ties, belts and suspenders need to be slightly wider and/or longer to balance out or normalize the appearance. "We want to give them some styling," he said.

For instance, Tepper said, Bond Street Suspender & Belt Corp., a division of the leather house Bond Street Ltd., had previously made one "basic" black belt.

The company's selection has since evolved. For the last 15 to 20 years, the 57-year-old firm has made belts, ties and suspenders in big & tall sizes.

Now, belts for big and tall men, are between ¼-inch and ½-inch wider than the standard 1-inch belt. They also go up to 64 to 66 inches long.

Ties are longer too, and prints of all kinds are popular, including golf, tennis, horse racing and ducks. Floral print ties are the hottest sellers among the larger set, just as they are among the general male population.

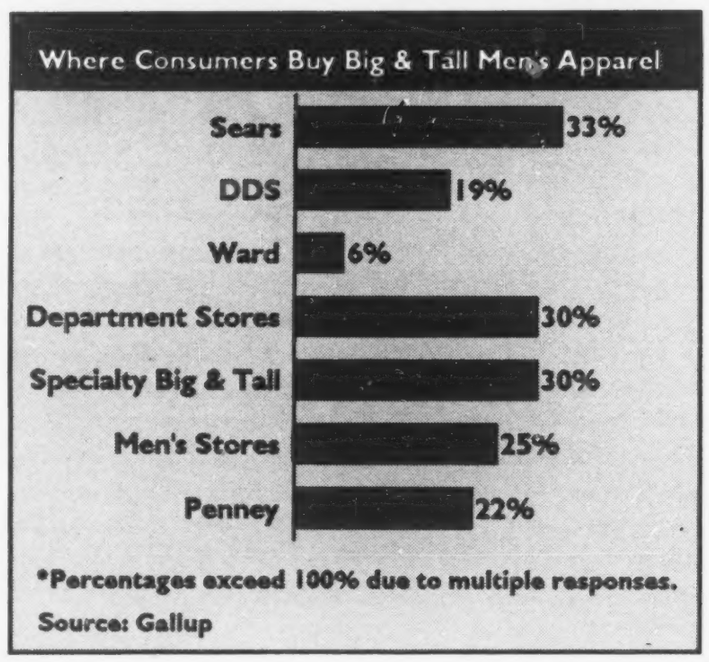
Suspenders, usually 1⅛-inches wide for regular sizes, are 1½-inch to 2-inches wide for the big & tall market. However, Tepper pointed out that the Wall Streeters are already wearing them 1½-inches wide, so there isn't much difference in big & tall accessory sizes compared to those used by this consumer of regular men's accessories.

The company sells to both upscale department stores and mass merchants. Bond Street Suspender & Belt makes accessories for such discounters as Alexander's and Conway.

McGregor Maximum, Fashions for Big & Tall Men is McGregor Corp.'s category contender. It entered the mass market about four or five years ago. McGregor makes sweaters, pants, outerwear, tops and bottoms and the label carries much cross over merchandise from the manufacturer's regular sized men's wear to the big & tall. Although the sizes vary for different garments, the average size of Maximum range from 46 to 2X and 3X.

Sales of big & tall sizes are, said McGregor vice president Leonard Wilk, "strictly a plus sale. [The category] doesn't replace any other business." Although the category had been "neglected," in the past, the customer now gets more styling and more selection. "The needs [of the category] demanded the same kind of fashion approach," said Wilk.

Discounters arrange Maximum garments—like other labels they carry—either as extensions of the regular sizes or within a separate big & tall department. Either way, said Wilk, the big & tall customer remains "more loyal than the average customer."



According to a recent study by The Gallup Organization, 382 out of 2,019 respondents, or 19%, were purchasers of big & tall men's clothing, ie., men's wear in sizes larger than extra large or extra long. Adults between 18 and 24 are most apt to purchase big & tall apparel, at 24%, while adults over 65 years (13%) are least likely to purchase this category.

The study showed that discounters accounted for 19% of big & tall men's wear sales. Other avenues include: Sears, 33%; department stores, 30%; specialty stores carrying exclusively big & tall sizes, 30%; men's stores, 25%; JCPenney, 22%; mail order catalogs, 15%; factory outlets, 8%; and Montgomery Ward, 6%.

Clearly, the figures show that the mass market is where the action is in big and tall men's wear. Altogether discount stores, Sears and Montgomery Ward comprise more than half the market for large size men's clothing.

According to the survey, purchases of big & tall apparel across the United States break down as follows: in the East, 60%; in the West, 59%; in the South, 50%; and in the Midwest, 41%.

Many retailers will not have a specific big & tall department but rather carry extended sizes of men's wear. One such retailer is Canton, Mass.-based Hills. At Hills, the men's department carries sizes on average up to 44 and 46, according to Jim Feldt, vice president, gmm of softlines.

Feldt noted that the big & tall customer at Hills wants what's "basic in nature," and the discounter provides just that. Its men's department carries the basic clothing items, such as fleecewear, flannel shirts, quilted flannels, shaker sweaters, jeans and outerwear. At Hills, the bigger sized items account for approximately 1% to 2%.

Target, based in Minneapolis, also does not have a big & tall men's department, although it carries a few extra large sizes in its sportwear, specifically, in tops.

Kmart, clearly an industry leader in large size men's market, has had a separate big & tall department for years. Currently, the department is in a "transitional" phase, according to a company spokesperson.

Big & Tall stores "expect sales for this year to reach $75 million," said Alan Weinstein, chief financial officer. The 170-unit men's specialty store chain was recently acquired by J. Baker Inc. from Casual Male Corp. (*DSN*, Feb. 18, 1991, page 4). A reorganization of the company is underway.

MARKETWATCH

50-Off Set to Buy Back Securities

SAN ANTONIO, Texas — 50-Off Stores, Inc., reported that it has reached an agreement today with Caribbean Marine, Inc., the company's preferred stockholder and a principal holder of its Common Stock, to repurchase all of Caribbean Marine's equity securities in the company. The repurchase transaction is scheduled for February 22.

Caribbean Marine currently holds 300,000 shares of 50-Off's Series A 12% Cumulative Convertible Common Stock, and holds an additional 262,943 shares of Common Stock. Caribbean Marine has agreed to convert its Preferred Stock and to then sell all of its shares of Common Stock to 50-Off in a transaction valued at approximately $5,356,000.

According to 50-Off, funds for the transaction were raised by a concurrent private placement of 50-Off's Common Stock to nine institutional investors. Johnson Rice & Co. of New Orleans acted as placement agent for 50-Off.

Guy U. Griffeth and Thomas Pauken, affiliates of Caribbean Marine and currently on 50-Off's Board of Directors, will resign their Board positions.

RCI, TKO Enter Retail Planning

MILLBURN, N.J. — Retail Consultants Inc. (RCI) and TKO have entered into a joint marketing agreement in which they will assist manufacturers, primarily in the apparel field, in setting up and operating retail outlets.

TKO's clients have included brands such as Swank, the men's apparel line, and Today's Child. The company provides a turnkey program for the opening of manufacturer's outlet stores, along with ongoing management and operational assistance.

RCI will provide manufacturers with independent analysis of their operation to determine the viability of a retail outlet. According to the company, the evaluation includes projections of start-up costs, sales and profits. For those already in the field, the firm will assess how the manufacturer can improve or expand their operations through merchandising and marketing.

Principals at both firms have extensive experience in retail. RCI chairman Richard Echikson has held senior positions at Macy's and the W.R. Grace Retail Group. Jack Hellman, president of TKO was previously Towle Manufacturing's director of stores.

Hit or Miss Hires Firm To Rename Apparel Chain

BOSTON, Mass.—Selame Designs, a public relations and consulting firm, has been retained by Hit or Miss to develop a new name for the off-price apparel chain.

Ben Cammarata, president of TJX Co., the Hit or Miss parent company, said the name change, along with a new management team, was part of the planned revamping of the ailing Hit or Miss chain.

Hit or Miss currently operates 584 stores nationwide.

INSIDE

TECHNOLOGY

QR Boosts Distribution Systems

NEW YORK — It pays to use QuickResponse technology.

That's the bottom line message from an Ernst & Young survey on the benefits that accrued to retailers using QR technologies in their distribution operations.

Peter Gilmartin, manager, Ernst & Young's National Retailer Service Group, explained that QR technologies "lead to a more efficient and quicker response in processing merchandise in warehouses and moving it to stores."

He noted that EDI "helps retailers better manage their inventory levels and more rapidly react to the needs of their stores." But Gilmartin added that QR technology isn't an operational panacea for a chain. "It's a question of how efficiently a chain uses these technologies."

The consulting/service firm developed statistics for *DSN* on QR benefits for 10 discounters and 14 specialty hard lines chains. The information (see charts), which was culled from Ernst & Young's just released survey of distributing, transportation and warehousing trends in retailing, showed the following:

Discounters that scanned merchandise into their warehouses turned goods an average of 3.5 times, 30.6% faster than the 2.68 average turns noted by chains that did not scan.

The average turnaround time for moving merchandise from the warehouse to stores for discounters that scanned was 3.75 days. The turnaround time for merchants that didn't scan wasn't comparable as one retailer reported a 90 day turnaround and another 24 days, making the average 21.42 days. When these two chains are factored out, the turnaround for non-scanning discounters drops to 2.7 days.

Discounters that used EDI technology in their warehouse operation had an average turn of 5.03, 84.9% greater that the average 2.72 turns for chain's that didn't use EDI.

Using EDI technology resulted in discounters turning around warehouse goods in an average of 2.67 days. The poor turnaround performance of the two merchants skewed the results for chains that didn't deploy EDI to an average of 21.42 days, dropping to an average of 3.6 days when these retailers are factored out.

The impact of technology becomes more striking when the results for the discounters using QR are matched against the overall average results for the 10 merchants.

The 10 chains had an average 3.52 turns and took 13.9 days to turnaround merchandise in their warehouse.

The averages don't tell the whole story. The performance results for discounters that scanned warehouse merchandise and used EDI technology were more consistent and showed less variations than retailers that didn't employ QR technologies.

The statistics for the specialty hard lines chains shows that scanning warehouse merchandise resulted in an average 5.25 turns, compared to an average of 3.65 turns for non-scanning retailers, while the turnaround of warehouse goods averaged 5.5 days using scanning against an average of six days for chains that did not scan.

Using EDI technology enables specialty hard lines chains to achieve an average 3.39 turns, against an average of 4.07 turns for retailers that didn't use this technology. The warehouse turnaround for EDI retailers averaged six days against 6.44 days for non-EDI chains.

(Continued on page 25)

Technology Boosts Productivity For Discounters

	Scanned Merchandise Into the Warehouse				Use EDI Technology			
	Inventory Turns		Turnaround Time in Days		Inventory Turns		Turnaround Time in Days	
	Yes	No	Yes	No	Yes	No	Yes	No
Retailer 1	—	1.50	—	2.5	—	1.50	—	2.5
Retailer 2	—	3.71	—	3.0	—	3.71	—	3.0
Retailer 3	—	4.00	—	2.0	—	4.00	—	2.0
Retailer 4	—	—	—	—	7.80	—	2	—
Retailer 5	3.81	—	2	—	—	—	—	—
Retailer 6	—	1.80	—	90	—	1.80	—	90
Retailer 7	4.00	—	3	—	4.00	—	3	—
Retailer 8	2.90	—	7	—	—	2.90	—	7
Retailer 9	3.30	—	3	—	3.30	—	3	—
Retailer 10	—	2.40	—	24	—	2.40	—	24
Average	**3.50**	**3.35**	**3.75**	**24.30**	**5.03**	**2.72**	**2.67**	**21.42**

Source: Ernst & Young

***An Ernst & Young survey** found that discounters and specialty hard lines retailers that use QuickResponse technologies—scanning goods into a warehouse and EDI communications—operate more productive warehousing and distribution systems.*

Technology Boosts Productivity For Specialty Hard Lines

	Scanned Merchandise Into the Warehouse				Use EDI Technology			
	Inventory Turns		Time in Days		Inventory Turns		Time in Days	
	Yes	No	Yes	No	Yes	No	Yes	No
Retailer 1	—	4.70	—	4	—	4.70	—	4
Retailer 2	—	4.00	—	2	—	4.00	—	2
Retailer 3	—	2.10	—	7	—	2.10	—	7
Retailer 4	—	3.24	—	7	3.24	—	7	—
Retailer 5	—	5.40	—	5	—	5.40	—	5
Retailer 6	—	3.70	—	5	—	3.70	—	5
Retailer 7	—	3.00	—	5	—	3.00	—	5
Retailer 8	8.10	—	7	—	—	6.10	—	7
Retailer 9	—	4.20	—	3	4.20	—	3	—
Retailer 10	—	4.20	—	1	—	—	—	—
Retailer 11	—	1.70	—	8	—	1.70	—	8
Retailer 12	—	1.70	—	10	1.70	—	10	—
Retailer 13	4.4	—	4	—	4.40	—	4	—
Retailer 14	—	5.90	—	15	—	5.90	—	15
Average	**5.25**	**3.65**	**5.50**	**6.00**	**3.39**	**4.07**	**6.00**	**6.44**

Source: Ernst & Young

VICS Approves New EDI Transaction Sets

DAYTON, Ohio — VICS has approved seven new electronic data interchange (EDI) transaction sets as part of its ongoing mission to develop QuickResponse standards that will enable the greatest number of retailers and manufacturers to implement this technology.

Transaction sets are generic EDI formats that allow retailers and vendors to talk to each other electronically using standardized business forms and languages. VICS EDI transaction sets are formats specifically developed for retailers and vendors.

The seven new transaction sets will be included in the 1991 edition of VICS' Retail Industry Conventions and Implementations Guidelines for EDI coming out next month. The edition, Version 003, Release 10, contains all 17 retail transaction sets approved by VICS and ANSI's ASC X12, which developed the North American electronic communications standard.

The new transaction sets are:

- Set 820-Payment/Order Remittance Advice. This protocol is used to instruct a financial institution to make a payment, report the completion of the payment and provide advice on payments.
- Set 830-Planning Schedule with Release Capability. A

(Continued on page 25)

INSIDE TECHNOLOGY

UPCs Set for Bulk and Random Weight Products

NEW YORK — Ten thousand UPC numbers are now available for bulk and random weight products, including envelopes for photo prints.

Number System Charter (NSC) 2 identifies a random weight item. The NSC digit is found on the extreme left of the UPC code, alongside the bars. The 10-number UPC describes the specific merchandise and the price as calculated by a printing scale.

Photo prints is the only general merchandise category included in the random weight UPC code.

The other classifications are supermarket merchandise: seafood, meat, dairy, bakery and produce items.

The 10-digit UPC—two groups of five numbers each—breaks down as follows:

The five numbers on the left include the first digit as the packager code and the next four numbers as the identifier for the specific item.

Most, if not all, bulk merchandise is packaged at store level, but the standard code includes the flexibility to identify vendors in the rare cases where they supply bulk weight goods.

Within the single digit packager code, the four numerals zero through three indicate that the retailer packaged the item. The other six numerals would indicate that a vendor—manufacturer, distributor or packager—packaged the goods.

The remaining four numerals—the second through fifth digits of the 10-number code—identify individual items. The retailer is responsible for assigning these numerals, using standard ranges of numbers for specific categories.

Eight associations assigned ranges of numbers for different categories. These associations and the range of numbers are:

National Turkey Federation, 576 numbers; National Broiler Council (poultry) 524; National Livestock & Meat Board (beef, veal, lamb, pork), 3,000; Produce Electronic Identification Board, 949 ; Photo Marketing Association International, 40; International Dairy-Deli Association (bakery, cheese, dairy-deli), 3,324; National Fisheries Institute, 1,576, and the Uniform Code Council, which is holding 11 numbers in reserve for future use.

On the right side, the first of the five numerals is a price check digit, while the remaining four numbers encode the item's retail price. Various companies manufacture equipment that weighs merchandise and prints a UPC label.

Development of the standardized bulk goods codes was spurred by supermarket industry groups, specifically the Produce Marketing Association and the Produce Electronic Identification Board. But the codes are important to membership warehouses and hypermarkets, which sell supermarket goods as well as a number of discounters that are expanding their mix of food merchandise.

QR Boosts Distribution Operations

(Continued from page 24)

The specific performances of the specialty hard lines merchandise showed greater variation, whether or not they used QR technologies, than discounters because of the diverse types of hard lines chains surveyed by Ernst & Young, Gilmartin said.

The consulting firm conducted its basic study for the National Retail Federation's *Stores* magazine. It indicated that discounters overall recognized the benefits of using QR technologies in their warehouse and distribution operations.

While only 44% of the discounters currently scan goods going into their warehouse, 86% said they planned to use this technology. Only 33% used EDI in their distribution system, but 86% indicated they planned to do so.

A similar situation prevailed among the specialty hard line merchants. Thirteen percent already scanned warehouse merchandise, but 77% planned to do so. While 29% current use EDI technology, 75% said they planned to do so.

VICS Approves New EDI Transaction Sets

(Continued from page 24)

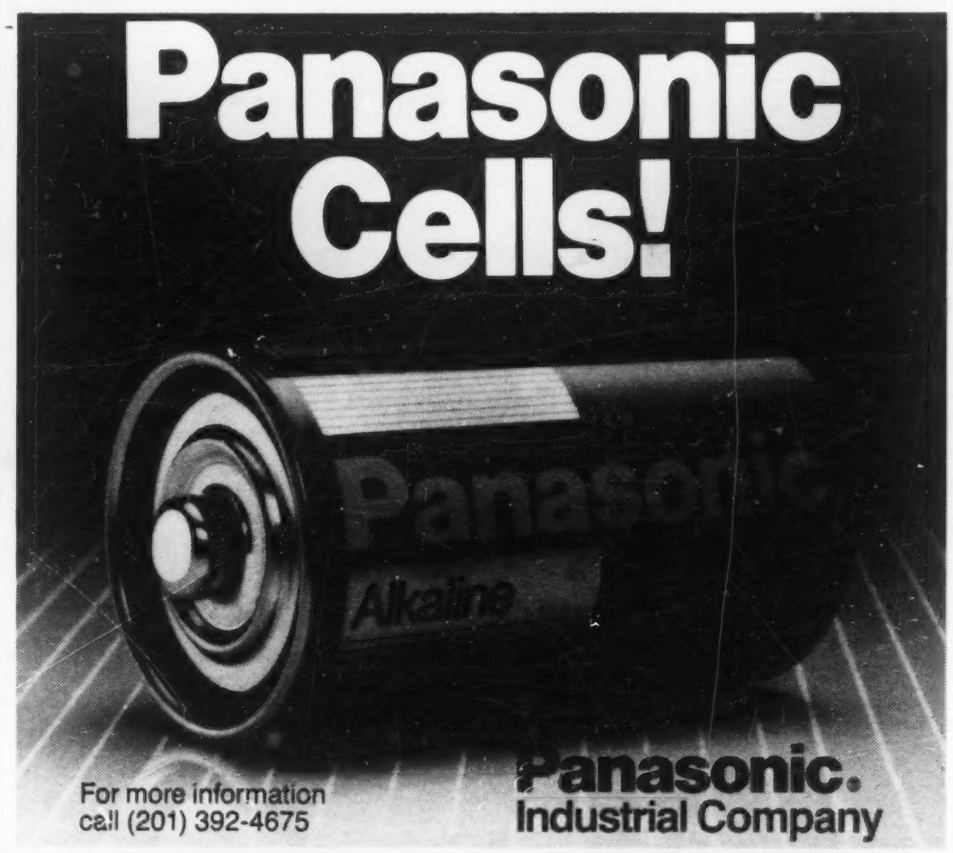
highly flexible set, 830 covers forecasts of orders, including ship/delivery patterns and allocation of resources. The order release feature eliminates the need for discrete generation of purchase orders.

- Set 840-Request for Quotation. Potential buyers will use this set to solicit price, delivery schedule and other information from potential sellers of goods and services.
- Set 843-Response to Request for Quotation. This standard provides potential buyers with the price, delivery schedule and other terms from potential sellers.
- Set 852-Product Activity Data. This set allows a retailer or distributor to provide inventory, sales and other product activity information to a trading partner. The information enables the trading partner to plan and ship or propose inventory replenishment quantities. Maintenance of some type of inventory/product movement records is needed to establish replenishment calculations.
- Set 855-Purchase Order Acknowledgment. This transaction set provides for customary and established business and industry practices relating to the acknowledgment of purchase orders.
- Set 864-Text Message. This standard provides users with the means to electronically transmit messages, contracts and other one-time communications in human readable, rather than computer, forms.

The seven new transaction sets were developed by VICS standards maintenance committee, which has a number of subcommittees, each focused on specific EDI protocols. VICS members—retailers and manufacturers—submit requests for transaction sets, based on their experience and need for uniform formats to conduct business electronically with different trading partners.

The new transaction sets—as well as the previously approved protocols—are included in the EDI communication software that is available from various software vendors. This software enables retailers and manufacturers to communicate electronically with each other, using the standardized formats, regardless of the hardware they use to process information.

The 800-page Guideline, which contains all 17 VICS EDI transaction sets, is available from the Uniform Code Council, which is the secretariat for VICS; publishes manuals, answers technical questions and assigns specific EDI communications numbers to retailers and manufacturers. The UCC's phone number is (513)435-3870.



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Kmart Eyeing BJ's, HomeClub

Speculation Surrounds Acquisition of Waban Units

(Continued from page 1)

Sumner Feldberg, chairman of Waban, said in a phone interview from his vacation home in Boca Raton, Fla., that he hadn't heard anything about a Kmart buyout. "I doubt there's anything to the rumors."

The Feldberg family holds a substantial percentage of outstanding Waban stock.

Institutional investors also are major stockholders, said Neil Nordby, president of Nordby International, Boulder, Colo.

Any purchaser of Waban would have to pay a premium above the market value of $14.75 per share (as of Feb. 14, 1991) to persuade them to tender their shares, Nordby said.

With 28.5 million shares outstanding, the total market value of Waban is about $420 million, or less than the $512 million value June 14, 1989, when Zayre Corp., now TJX Cos., spun it off to its stockholders.

BJ's operates 27 units, following the closing of its Toledo, Ohio, unit in December for conversion to a HomeClub. HomeClub operates 66 home centers, 67 when the Toledo conversion opens in the spring.

Each division of Waban plans to open five or six units in 1991.

Sales for BJ's rose to $794.4 million for the nine months ended Oct. 27, 1990, from $687.6 million in the same span of 1989. Operating income, however, plunged to $3.3 million from $9.6 million.

And Waban's stock also nosedived, leveling off at $4.63.

In 1989, Waban logged revenues of $984.6 million, a 20% gain from $817.2 million in 1988.

Operating profits for BJ's doubled in 1989 to $18.6 million from $9.4 million the year before. In 1987, BJ's had lost $4.8 million on operations.

The improvement last year, however, came largely because BJ's switched to a mandatory group membership fee of $25, boosting fourth quarter revenues.

Previously, individuals paid no membership fee to join the club, but they did have to pay a 5% surcharge over prices charged to business members. Waban acknowledged that the switch would hurt profits in the first three quarters of 1990 because BJ's would lose the 5% surcharge revenue. Results for the fourth quarter will reflect fee income from group membership renewals.

Even with the increase in 1989 operating results, the 1.89% operating profit margin for BJ's was only half that of Price Club, which recorded operating profits at 3.68% of revenues.

Real estate is the main appeal of BJ's, Nordby said. "BJ's has many attractive properties in the Northeast," Nordby said, and a shortage of such multiacre sites with ample parking exists in the region.

HomeClub, based in Fullerton, Calif., would fit into Kmart's home center strategy. In January, Kmart closed the Los Angeles buying office of its 143-unit Builders Square home center subsidiary and has closed two of six California stores over the past 12 months.

Because of the equity in the HomeClub name in the Golden State (a weak area for Builders Square), it is unlikely Kmart will convert them to Builders Square units.

Conversely, Pace is converting Price Savers units to the Pace format, as it did the Makro units that Kmart acquired.

Wal-Mart is converting the Wholesale Club units to Sam's.

***Will BJ's Wholesale Club**, the last of the regionals, be swallowed up by Kmart's Pace?* (DSN photo)

Berk Joins BizMart's Management Team

(Continued from page 7)

ever, the company lost $772,000 in the quarter, including a one-time charge of $850,000 connected to the closing of two Houston stores.

For the nine months ended Jan. 26, BizMart sales rose 107% to $181.4 million, with a net loss of $1.6 million. The firm lost $1.7 million during the same period last year.

"We experienced good sales comparisons for the quarter even though store traffic counts and average ticket amounts were affected by our customers' higher than normal level of uncertainty caused by the Persian Gulf War and the current U.S. recession," ceo Stegall reported. "But even with these events, sales of our 25 comparable stores . . . increased 14% from a year ago."

Gross margins increased 0.5% to 22%, Stegall added, explaining that "pricing returned to more normal levels as competitive conditions became more rational, especially in the Dallas and Houston markets." Despite the two Houston closings, BizMart plans to open another store there in late March, with a projected 57 stores open by the end of April.

BizMart operates stores in Texas, Missouri, Kansas, Colorado, Arizona, Nevada, New Mexico, Utah, Oregon and California.

DISCOUNT STORE NEWS

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Peter Hirsch (far right) led a camera team into an Avalon, N.J. Kmart to kick off filming of the chain's new ads. (DSN photo)

Kmart's TV Ad Campaign Hits With Over 230 Spots

TROY, Mich. — Kmart unleashed its most ambitious ad campaign ever in mid-March as the first of some 230 individual TV spots hit the airwaves. The campaign was launched just as Kmart reported improved profits for its fourth quarter, and strong comparable store increases in February.

According to Peter Hirsch, president of Calet, Hirsch & Spector, Kmart's ad agency, the campaign will focus on consumer lifestyles. "They will spotlight improved products, brand names and Kmart's low prices, as well as an improved shopping experience," he said. The spots, each 15 seconds long, will be broadcast on a mix & match basis, and vendor commercials will be interspersed with mini-vignettes that address the "change for the better" at Kmart, he added.

Production of the spots will entail a grueling production schedule; some 20 spots will have to be filmed each week.

"Kmart has some 12 different business groups," said Bill Behrmann, senior vp and media director of Ross Roy Group, Kmart's media agency.

(Continued on page 16)

ALCO Reorganization Plan Enlists Secret Investors

By Mary Ellen Kelly

ABILENE, Kan. — In its first step toward emerging from bankruptcy, Duckwall-ALCO stores filed a reorganization plan with the U.S. Bankruptcy Court in Topeka, Kan., March 4.

If approved by creditors and the court by an April 1 deadline, the regional discounter will emerge with greater capital resources. ALCO plans to sell 5 million shares of common stock, with over 2 million being sold to "KDF, certain individuals and the Duckwall-ALCO Stores Profit Sharing Plan" for $4.1 million cash. KDF is identified in the plan only as a "Kansas nominee partnership."

Approval of the plan would be good news to the discount store industry which has been plagued by unresolved Chapter 11 filings—especially by regional chains—for over a year.

Duckwall-ALCO executives, its attorneys and creditor committee leader, General Electric Capital Corp., and KDF's attorney, declined to comment on the filing and refused to provide any information or description of KDF.

DSN did learn, however, that KDF is not a retail firm, even though one anonymous source indicated the company is involved to some extent with retailers. Whether KDF would effectively own the Duckwall-ALCO chain as part of this reorganization plan was not made clear in the filing. The firm would wind up with a substantial number of Duckwall-ALCO shares.

A key to the retailer's immediate turnaround is to raise enough cash to complete the remodeling of its stores to ALCO's newest format. The updated store layout, logo and colors were integrated into the retailer's 55,000-square-foot Manhattan, Kan., store over a year ago.

During 1990, the new format was incorporated into 30 of the chain's 100 units, and successfully boosted sales and profits, according to Charles Bogan, Duckwall-ALCO general counsel. Bogan, however, declined to say how much sales were up at those remodeled stores, nor

(Continued on page 126)

Making Every Day Earth Day

Retailers and Manufacturers Are Turning 'Green'

By Jill Lettich
Nationwide DSN Report

For Earth Day 1990, everyone had the word "environment" on their lips. Manufacturers ran green ads; retailers ran green sales.

In 1991, the hoopla has died down. But, instead of thinking of the environment for one day, companies have incorporated the environmental message into their day-to-day operations and year-long marketing strategies.

Some companies launched ad campaigns or special promotions in the weeks preceding Earth Day, April 22. The bulk of environmental promotions, however, are designed to keep awareness high every day of the year.

The green message is increasingly important to consumers. To their credit, consumers have become much more aware of their environment and wary of companies that simply talk a good game rather than provide real practical solutions to problems.

For many firms, this has meant a serious switch from marketing environmental concerns just to be in vogue, to taking aggressive action in all forms: implementing environmentally sound policies to introducing viable products for a green household.

A Gallup Poll/*Ad Age* survey recently reported that consumers can name very few firms specifically linked to the environmental movement. "I don't know" was the most often mentioned response of consumers asked to name a company that is sensitive to the environment. Procter & Gamble and McDonald's were among the handful of companies mentioned by name. Not surprisingly, Wal-Mart led among environmentally conscious retailers.

(Continued on page 65)

***Venture is inviting kids** to bring in aluminum cans and get a free Gitano kite celebrating Earth Day.*

See Retailing & the Environment page 69

Hills' Prez Exits; More Closings Set

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...ss. — Hills' ...p a reorgani... emerge from ...s complicated ...e sudden res... ...ew president, ...esignation, ef... 4, came just days after Hills announced 32 more store closings. The newest round of store closings leaves the chain with 154 stores in 12 states. Since last month's Chapter 11 filing, Hills has closed 60 stores and abandoned its presence in five cities and two states.

In this latest round of closings, Hills is exiting Cincinnati, Evansville, Ind., and Indianapolis. Hills already closed its stores in Rochester, N.Y., and Columbus, Ohio, part of the first 28 store closings announced in January and completed earlier this month.

Hills will no longer operate stores in Georgia and Alabama and has a minor presence now in Michigan (one unit, down from 14) and Tennessee (three units, down from 13).

Brouillard had a short tenure as Hills' president and chief operating officer, rising to that position in November from chief financial officer after Stephen A. Goldberger resigned. He had been with the discounter for 13 years. Brouillard is now chief administrative and financial officer of H.E. Butt Grocery Co., San Antonio, Texas, a privately held food retailer. He could not be reached for comment.

Industry analysts suggest that Brouillard was neither forced out nor does his leaving suggest he'd given up on Hills. Nevertheless, Brouillard's absence will be a loss to the chain. Now, instead of concentrating completely on developing a re-

(Continued on page 125)

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MARKETWATCH

Goldblatt's Takes Over Two Ames Sites

CHICAGO — Goldblatt's Department Stores has taken over the leases of two former Ames in inner city Chicago neighborhoods and will reopen the units this summer. The stores at Western Avenue and Kennedy Expressway and 87th Street and The Dan Ryan Expressway will boost Goldblatt's count to 13 units in the Windy City.

Tuesday Morning Opens 10th Store

DALLAS — Tuesday Morning, a closeout chain that operates only during four peak selling seasons, including Easter, has opened its 10th store in the Washington, D.C., area. At 24,000-square feet, the new unit in Wheaton, Md., will be the second largest for the chain of 132 stores in 21 states and the District of Columbia.

Warehouse Club CEO Resigns

CHICAGO — Sherwin Deutchman has resigned as president and chief operating officer of Warehouse Club, the 10-store wholesale club chain based here. He has been suceeded by Jim Walsh, formerly chief financial officer of the chain, which last fall had reached an agreement with A&P that would have injected millions of dollars for expansion into the chain. That deal fell through a month later.

Sears to Launch Visa Card This Month

CHICAGO — Sears plans to launch its new Prime Option Visa card this month with a 7 million-piece direct mail campaign. The effort would play up the card's major features: no annual fee and a choice of a flat interest rate or one pegged to the prime rate. Sears move came after a Federal Court in Salt Lake City last month granted a preliminary injunction in the retailer's antitrust lawsuit against Visa U.S.A. That bank card association, which had sought to block Sears from issuing the Visa card, said it would appeal the ruling.

BJ's Wholesale Club's Sales Up

NATICK, Mass. — BJ's Wholesale Club's sales increased 16.8% in the fiscal year ended Jan. 26 to $1.14 billion, while operating income fell 39.2% to $11.27 million. BJ's accounted for 47.7% of the parent Waban Inc.'s $2.4 billion in sales, down slightly from the 47.8% share in the previous year.

Ward, Bell & Howell Sign CE Agreement

CHICAGO — On the heels of last month's licensing agreement with Maytag to produce Admiral brand private label televisions and VCRs, Montgomery Ward has signed a similar agreement with Bell & Howell to produce a full line of Bell & Howell brand camcorders, high-technology VCRs and large screen televisions. The camcorders will debut in the fourth quarter.

Noteholder Files Suit Against Ames Execs

NEW YORK — Former Ames executives and the chain's investment banker, Wertheim Schroder & Co. were hit with a lawsuit by a disgruntled noteholder who claims the banking firm and Ames management conspired to inflate the price of Ames senior subordinated notes that were issued in early 1989 to refinance the ill-fated acquisition of Zayre Corp. Ames, in Chapter 11, was not named in the action, filed by Anthony Delano of Easton, Conn. In other Ames news, comparable store sales were flat in January, but showed a modest rise in February.

Experimental Imageland Store Opens

CHICAGO — A new experimental store that uses leading-edge digital color graphics technology to produce creative business and consumer products opened last month. Located in downtown Chicago, the new Imageland store is a joint venture of Canon, the Japanese maker of imaging products, and CPI Corp., a major U.S. retailer of photography services. The 2,200-square-foot store employs a dramatic store design and is targeted toward three distinct customers: graphics professionals, businesses and consumers.

FOR THE RECORD

Prodigy president Ted Papes said the electronic shopping and information service—a joint venture between Sears and IBM—would become profitable in the early 1990s. *DSN* incorrectly reported (Jan. 21, page 3) that he said this goal would be reached in early in 1991.

Venture's Profits Jump in '90

Sales Up After May Dept. Stores Co. Spin-Off

O'FALLON, Mo. — In its first annual sales and earnings statement as an independent chain, Venture reported that pretax profits in 1990 rose to $53.8 million on sales of $1.42 billion.

In 1989, pretax profits were $17.9 million on sales of $1.36 billion during the last full year of May Department Stores Co. ownership. But after adjustment of $35.4 million for May's spin-off expenses, pretax profits were $53.3 million in 1989.

Net profits rose to $34.5 million in 1990, compared with $12 million in 1989, or $36.5 million after adjustment for spin-off expenses.

Effective last November, May spun off Venture to its stockholders. But as the price of independence, Venture had to pay its parent $262 million. It raised the money by selling and leasing back 29 stores and its two distribution centers, substantially raising rent expenses. In addition, Venture borrowed $75 million by mortgaging 14 other stores.

The restructuring meant that Venture started out its new life as a significantly more levered chain, with a total of $307.1 million in short and long-term debt on its balance sheets at year-end, compared with $199.3 million in 1989, prior to the spin off.

Total stockholder equity slumped to $91 million, as of Feb. 2, 1991, from $309.7 million the year before May pulled out its capital. Venture currently operates 80 stores.

'Green' Concerns Focus of PMA Show

By Don Longo

LAS VEGAS — Photo industry executives from around the world convened here last month for the Photo Marketing Association's annual trade show.

Their enthusiasm over the relatively healthy state of their industry was tempered somewhat by news of ground combat between United States and Iraqi forces in the Persian Gulf.

Two very serious themes dominated this mostly upbeat convention: the war in the Mideast and the environment.

One manufacturer, Ricoh, even canceled its annual PMA party here so it could use the savings to offset the costs of a special program to benefit U.S. soldiers.

Under the program, announced at the show, consumers simply purchase a Ricoh One Take camera at any dealer, provide the name and address of the soldier it's to be shipped to, and Ricoh takes care of the rest.

Duracell and Agfa contributed batteries and film, respectively, to the package, which will retail at the below cost price of about $25. All shipping costs will be picked up by Ricoh.

Matt Mustachio, director of marketing and advertising for Ricoh's Consumer Products Group, also noted that on the environmental front the company has altered its packaging, switching from styrofoam "peanuts" to recycled and recyclable crinkled paper inside its cartons.

Because of the nature of photography products, manufacturers in this industry have been sensitive to environmental concerns for many years, especially as they relate to the manufacturing process. Now, many are also looking at the

(Continued on page 126)

Wal-Mart Passes Kmart In Battle of the Top 2

Nationwide DSN Report

Wal-Mart became the leading discounter in sales last year and generated sharply higher earnings than Kmart, the No. 2 chain, as both retailers reported record volume and income.

Wal-Mart sales (including volume from its Sam's Wholesale Club division) jumped 26% in the fiscal year ended Jan. 31 to $32.6 billion from $25.8 billion, while earnings went up 20% to $1.29 billion from $1.07 billion.

In the key holiday fourth quarter, Wal-Mart's volume of $10.35 billion increased 28% from $8.1 billion. Income grew 13% to $481.84 million from $425.86 million.

Wal-Mart achieved its record sales and earnings as it continued to improve its operations and drive down costs. Gross margins fell to 21.8% from 22.3%, while operating, selling and general and adminisrratives expenses as a percentage of sales remained at 15.8%.

Kmart sales in the fiscal year ended Jan. 30 went up 8.6% to $32.07 billion from $29.53 billion, while income

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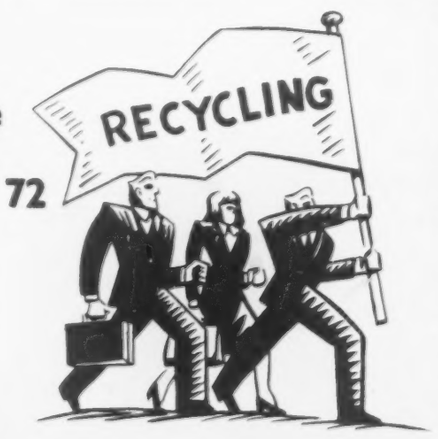

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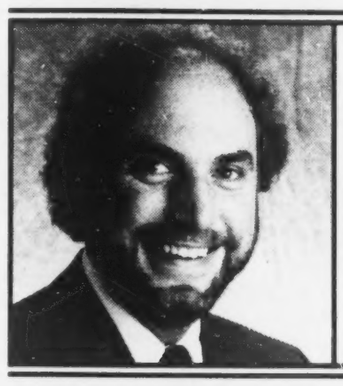
EDITORIAL

Walton's Bio Leaves Readers Hungry

One of the most difficult assignments for any editor is to a write story about an executive without the person's cooperation. That means without a personal interview, without personal insight and without emotion.

Yet, author Vance Trimble did exactly that in his book "Sam Walton: The Inside Story of America's Richest Man," (Dutton). While thousands of articles have been written about Walton, this is the first book devoted to one of America's richest men and one of its most extraordinary citizens. I read the book after its quiet release last November but decided not to review it for several reasons, including a sense of disappointment. However, recently several executives have inquired about the book, so here are a few comments about it.



TONY LISANTI
Editor

The former Pulitzer Prize-winning reporter and editor of the *Kentucky Post* compiled his biography of Walton without his cooperation. Writes Trimble, "In some respects, the lack of ready access to the Waltons and the corporate archives make this a better book because it necessitated much old-fashioned police reporter legwork and careful digging . . . " Nice try, Mr. Trimble!

First, the title is misleading because this book is not an "inside" story. It's an "outside" story, and it reads that way. It lacks the emotion and the charisma of Walton. Trimble uses secondary sources that lend little credibility or new insight into Walton's style, character and accomplishments.

Trimble, a native Arkansan, does an exhaustive historical analysis which at times is slow-moving, but his descriptive narrative does offer interesting tidbits of family history that otherwise may have been overlooked.

The book *is* worth reading particularly for Walton affecionados. It's got just enough to whet the appetite for Walton's autobiography, which no one is sure will ever be completed. Even Trimble admitted, " . . . I trust this book will fill the void for interested readers until he can tell his own story." And in some ways, it does.

It's a positive, upbeat, if not patronizing, book that favorably portrays Walton as a business hero and makes no attempt—as some biographies do—to uncover the dark side.

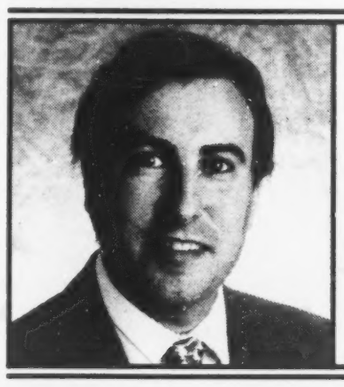
I guess even Walton liked the book. A few weeks ago he ordered over 300,000 copies!

BUYERS & SELLERS

Retailing & the Environment: A Must Read

How big is the trash problem in the United States?

I asked *DSN*'s Washington bureau correspondent Ken Rankin to find out how government officials view the problem. Rankin reported a recent government study estimates that every American man, woman and child throws out about 4 pounds of trash per day—about twice as much as their European and Japanese counterparts!



DON LONGO
Exec Editor

Environmental lobbyists estimate the total trash buildup at more than 180 million tons a year. Rankin noted that 8 ounces per person per day is recovered for recycling, but government officials predict that at current levels the volume of waste will reach 200 million tons in 1995, and 216 million tons by the year 2000.

Over at the Environmental Protection Agency, officials estimate that about 73% of all trash is dumped in landfills.

Those landfills are rapidly filling up. Nationally, the number of landfills has dropped from an estimated 10,000 in 1980 to 6,500 today. By the year 2000, EPA predicts that the number will be cut to about 3,000.

Inside this issue *DSN* inaugurates one of the most important special supplements it has ever produced. *Retailing & the Environment* (see page 69) details the positive efforts of retailers and makers to make a difference in the world and identifies some of the problems in trying to address this most complicated issue.

Today, more Americans are recycling bottles and cans, sorting their trash for recycling pickup, reading labels to learn the environmental impact of the products they buy, using biodegradable soaps and detergents, and avoiding aerosol products.

Retailers and manufacturers are not only smart for reacting to their concerns, they are saving the earth for themselves and their children. *Retailing & the Environment* is must reading.

PUBLISHER'S VIEW

U.S. Retailers Can Learn from the Japanese

Imagine a discount department store that has sales per square feet of over $2,000; generates over $160 million in total annual sales; monitors sales in eight key departments on an hourly basis and reacts instantaneously to help achieve daily sales goals!

Impossible you say. In the United States maybe, but not in Japan. What I've just described are some of the many facts we learned about Daikuma, the discount store unit of Ito-Yokado, Japan's No. 2 retailing conglomerate during a recent visit to Japan.

JOHN FAILLA
Publisher

We discovered that merchandising and operations are at different ends of the development spectrum.

Walking through Japanese discount stores and home centers (actually discount stores with large DIY departments), I noticed how similar these stores looked to U.S. discount stores of the late '60s and early '70s. However, upon closer examination, the sophisticated sales tracking and inventory replenishment systems at Daikuma and other Ito-Yokado divisions quickly highlight their state- of-the-art technical capabilities.

Ito-Yokado is the operator of 7-Eleven convenience store franchises in Japan that bailed out the U.S. owner of 7-Eleven stores, Southland Corp. In Japan, 7-Eleven stores receive deliveries four times per day to tie into the different products purchased daily. Upon entering a 7-Eleven in Tokyo one is drawn to the false conclusion that their inventory management is horrible as only a few pieces of each sku are in stock. In fact, what a person is witnessing is one of the closest living examples of "Just in Time" inventory replenishment in retailing today. In fact, the four daily orders at 7-Eleven are adjusted by each store based on anticipated weather conditions for the day.

While it sounds like I'm getting off track here talking about convenience stores, the point is that Ito-Yokado has extremely sophisticated systems that are leveraged across all of their retailing divisions, including department stores, discount stores, general merchandise stores, specialty stores and food-service operations.

Some further numbers drive home the point of its operating efficiencies. Ito-Yokado's SGA ratio, at 14% of sales, is almost four percentage points lower than Wal-Mart's. Although it's the No. 2 retailer in Japan in sales, with 21% less volume than Daiei, its gross profit dollars are almost six times greater than Daiei.

So what's the point? While many major discounters have made a practice of learning as much as they can from anyone they can, the industry at large has not looked outside of North America for new ideas. There is something to be learned from retailers outside the United States.

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Membership Clubs Consolidate and Expand

The Membership Warehouse Industry

Chain	Sales (In Millions) 1990	Sales (In Millions) 1989	Percent Change	Number of Stores 1/90	Number of Stores 1/91	Number of Stores 12/91
Sam's Wholesale Club Bentonville, Ark.	$ 6,440*	$ 4,840	33.1%	123	147	200
Price Club(a) San Diego	5,286	4,901	7.9	53	66	78
Costco Wholesale(a) Kirkland, Wash.	4,059	2,943	37.9	58	69	79
Pace Membership Warehouse Aurora, Colo.	2,250*	1,700*	32.4	47	61	95
BJ's Wholesale Club Natick, Mass.	1,150	984	10.3	23	27	32
Price Savers[1] Salt Lake City, Utah	850*	685*	24.1	14	17	—
The Wholesale Club[2] Indianapolis, Ind.	750*	570	22.8	23	28	—
Warehouse Club Skokie, Ill.	265	267	(7.5)	12	10	10
Wholesale Depot Natick, Mass.	50*	10*	400.0	2	3	6
Total:	$21,100	$16,900	24.9%	355	428	499

**DSN estimate a—includes Canadian units ( )—decrease*
[1]Acquired by Pace Wholesale Club, Dec. 1990.
[2]Acquired by Sam's Wholesale Club, Feb. 1991.
Sam's fiscal year ended Jan. 31
Price Club fiscal year ended Aug. 31
Costco fiscal year ended Sept. 2
Pace fiscal year ended Jan. 30
BJ's fiscal year ended Jan. 26
Warehouse Club fiscal year ended Sept. 30
Wholesale Depot fiscal year ended Dec. 31

Source: DSN Research

By Arthur Markowitz
Nationwide DSN Report

The membership warehouse industry continued its consolidation last year, contracting to five major players and two smaller regional chains.

The takeover of two chains by larger wholesale clubs, however, didn't slow down the industry's overall growth. The thrust into the Northeast by a number of operators and the expansion or first time offering of services, such as meat and produce sections, in-store scratch bakeries and optical departments, continues.

The industry's growth saw the nine wholesale clubs in operation for most or all of last year generate $21.1 billion in sales, up 24.9% from $16.9 billion. Volume this year could grow a minimum of another $4 billion, aided by the maturing of the 117 stores opened during 1989 and 1990 and initial sales from the 71 clubs unveiled in 1991.

The industry started 1991 with 428 stores, a 20.6% increase from the 355 units in operation last year. The count could grow another 16.6% to reach 499 clubs by the end of the year.

The consolidation—down from 11 chains just two years ago—reflects the basic strength of the industry; it also indicates the four major players have recognized that the acquisition of smaller regional chains offers them a highly productive way to enter new areas and/or strengthen their positions in current markets.

The two acquisitions, Sam's Wholesale Club's takeover of The Wholesale Club last month and Pace Membership Warehouse's purchase of Price Savers in January, illustrate this.

Sam's acquisition magnified its ongoing thrust into the upper Midwest—a region bereft of wholesale clubs for most of the '80s. Sam's now has 62 stores in the eight-state area, as of Jan. 1, 1991, an 87.9% jump from the 33 clubs it had there last year. The move included six The Wholesale Clubs in Minnesota, which marked Sam's debut in that state.

For Sam's, the attraction of The Wholesale Club was simple: it was the only successful membership warehouse in the region during the '80s, growing to 15 stores by 1987, 18 the next year, 23 in 1989 and 28 last year prior to Sam's acquisition. Other clubs have a poor track record in the region.

The regional Warehouse Club's operations in Chicago and Detroit haven't been profitable.

BJ's Wholesale Club's Chicago stores haven't matched the chain's success in the Northeast and its parent Waban Inc. converted the BJ's in Toledo, Ohio, into a HomeClub home center earlier this year.

Pace is striving to carve out a position in the region with a few units overall in Chicago, Detroit, Cleveland and Cincinnati, while Costco closed it Minneapolis clubs after only a few months of business.

Sam's, the industry's top chain, meanwhile, began to move into the region in a big way at the end of the '80s, going from six units in 1987 to 14 a year later, 22 in 1989 and then 33 last year. Sam's upper Midwest expansion is part of its drive to become the industry's first national operation, with clubs from coast to coast.

The Price Club, the industry's No. 2 chain, plans to establish a presence throughout the Midwest, but the company noted that the lead time for acquiring and developing sites means that it won't open stores in the region until 1992 at the earliest.

Pace's acquisition of Price Savers strengthens its presence in the highly competitive California market, while giving the industry's No. 4 chain entry into four new states. In the Golden State, Pace, a division of the Kmart Corp., gained six non-competitive Price Savers locations to boost its California count to 16 as it battles with the Price Club and Costco—the industry's No. 3 chain—each of which currently operates 29 stores there.

Sam's, meanwhile, is eyeing California as part of its national expansion. The company's parent, Wal-Mart, opened its first discount stores in the state last year as it strives to become the second national discounter after Kmart.

Pace, via the Price Savers purchase, also gained a presence for the first time in Arizona and Utah with four clubs each; Washington has two stores, and Alaska, one unit.

The attractiveness of acquisitions as the entry vehicle into new markets is behind the continuing Wall Street reports that BJ's Wholesale Club is likely to be taken over by one of the other major players interested in expanding in the Northeast. BJ's, No. 5 in the industry, has 19 of its 27 clubs in the Middle Atlantic States/New England market.

The other four membership warehouses plan major expansion efforts in the 11-state Northeast, a highly populated region that proportionally contains fewer wholesale clubs than other areas of the nation, 49 in total compared with the 74 clubs just in California. Besides BJ's 19 Northeast units, Price Club has 12 in the region, Pace nine, Sam's four, Costco two and Wholesale Depot, a Northeast regional chain, three.

But Sam's has already announced plans to open at least 18 stores in the Northeast by the end of next year.

The other five clubs also have plans to augment their presence in the region, particularly in major markets where they currently don't have any stores. These clubs project further growth in the region because the under-membership warehoused Northeast in prime expansion territory.

The Price Club, which opened three clubs in the region last fall, plans to unveil at least two more this year, including its first in the Massachusetts/-Rhode Island area.

Pace already has three clubs set for the market in 1991, including its debut in New Hampshire just north of the Boston area.

Costco entered the region last fall with two clubs and expects to triple its presence by next year.

BJ's will add a trio of stores this year to maintain its lead in number of units.

Wholesale Depot, which targets smaller communities with smaller 50,000-square-foot clubs, plans to open two more units this year and at least five more within the next three years. It plans to go into secondary markets that aren't likely to attract or be viable for the major operations and their 100,000-square-foot and larger clubs.

While most chains focus their growth on the United States, Price Club and Costco have staked out major presences in Canada with company-owned stores; in the Price Club's case through the purchase last year of the 50% interest in Price Club Canada held by its Canadian partner, Steinberg Inc.

The 10-unit Price Club Canada, the leader in that country, plans to open at least two more units. Costco, meanwhile, expects to add two or three more clubs to its eight-store count.

New clubs are the key to chains' ability to sharply increase their sales from year to year. But once a club matures, a membership warehouse runs into the problem of growing that unit's sales. The answer: add services that result in members increasing their purchases.

This effort, adopted by all the chains, has seen clubs add fresh meat and produce departments, deli sections and in-house bakeries. They are also offering such membership benefits as discount car buying and long-distance phone services and pharmacy and optical departments.

***Pace**, Deptford, N.J.: Wholesale clubs are adding services, including fresh meat and produce departments, to boost sales at established clubs.* (DSN photo)

Environmental Concerns Focus of PMA Show

(Continued from page 2)
problem of post-consumer waste.

"Over the years we've made tremendous progress in reducing harmful wastes in the manufacturing process," said Don Patrican, of Polaroid. "We've spent tens of millions of dollars on toxic waste reduction programs. Now, we want to make sure we're balanced in looking at consumer waste products as carefully as we look at manufacturing waste."

Polaroid has formed a Marketing Environmental Group Advisory Board to make suggestions to the company as it develops a five-year plan to address environmental concerns.

"Green is real," added Patrican. "It's not a fad or a trend."

Basically, "you need clean water and clean air to make good quality film," noted Tom Shay of Fuji, in explaining one of the reasons why the company has been very sensitive to environmental issues.

"One of the biggest opportunities retailers have is to promote the use of a minilab that produces less effluent," said Rod King, also of Fuji. "Smaller retailers are sometimes not aggressive enough in promoting the things they are doing that are proactive for the environment."

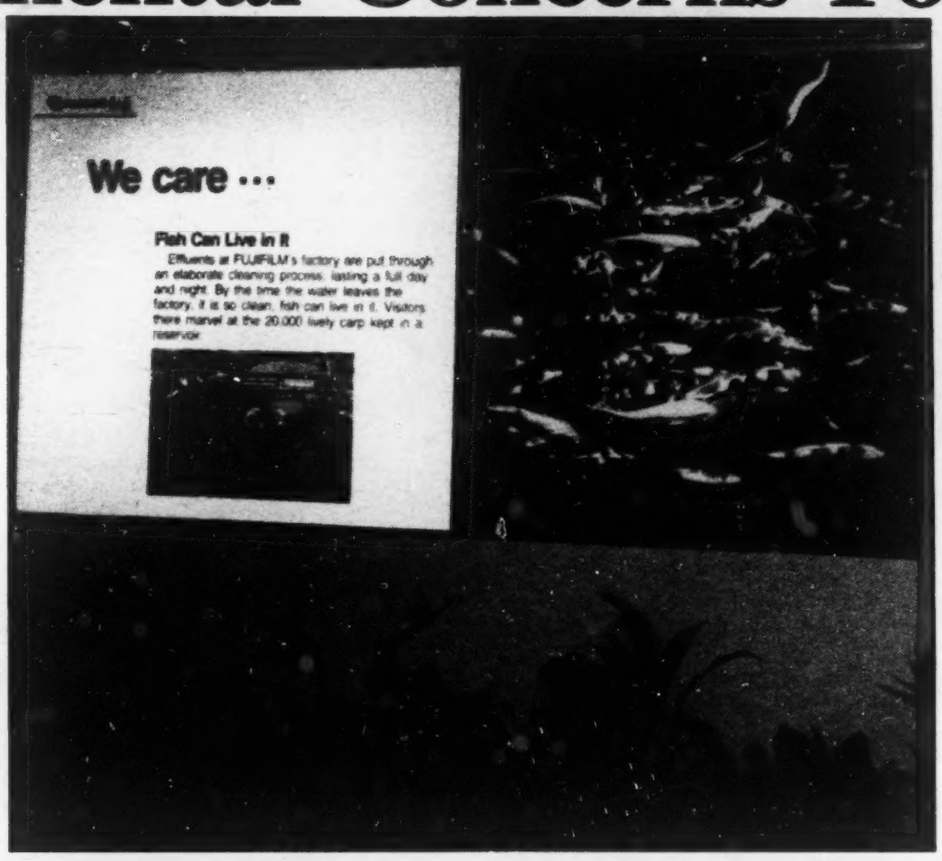
We care ...
Fish Can Live in It
Effluents at FUJIFILM's factory are put through an elaborate cleaning process, lasting a full day and night. By the time the water leaves the factory, it is so clean, fish can live in it. Visitors there marvel at the 20,000 lively carp kept in a reservoir.

***Photo market leaders** like Fuji, above, and Kodak stressed their corporate environmental support activities.*

At the show, Fuji also showed off its new paper film cannisters that are used on all 100, 200 and 400 speed Fuji film. Fred Meyer, the Portland, Ore., mass retailer, plans to expand its Fuji film assortment because of the environmental aspects of the new film containers. In addition, the new packaging is under consideration by Wal-Mart to be included in its special signage program that spotlights environmental improvements vendors make in their products.

3M To Go Soivent Free

Back on the manufacturing side, 3M, maker of Scotch brand and private label film for a whole host of mass merchandisers, recently made a commitment to be totally solvent-free in five years, a significant commitment for an adhesive and film company.

3M's John Gregorek also noted that the company has changed the high-gloss coating on its film boxes to a water-based coating that allows the package to be recycled more easily. And, he added, 3M is looking at advanced film packing systems that will eliminate either the box or the cannister from the package.

Photo industry leader Kodak also takes a high profile on the environmental front. Each week, the company receives one million of its single-use cameras back from photofinishers. To encourage the returns for recycling, Kodak pays the finisher 5 cents per body and picks up the shipping costs.

Kodak has also formed an internal committee to identify and address environmental problems. "We've announced a support group for photofinishing organizations," said Kodak's Steve Baune. "We're providing counsel to our customers, attending municipal meetings with finishers as an environmental consultant."

Baune also noted that Kodak is pumping significantly more dollars into its consumer advertising and promotion budgets in 1991. The Rochester, N.Y.-based firm also was showing improved film, paper and packaging at PMA.

Included among the many new products that were shown at the show were:

- Fuji's new 8mm camcorder, featuring a built-in lens cap and improved electronic viewfinder, as well as its new ecological minilab and ultra compact camera, the Mini-Dual.
- Pentax' new roof prism, center-focusing binoculars.
- Concord's new disposable 35mm camera and its two new pocket-sized compact 35mm cameras, the Take 1 and the Cool One.
- Gretag and Qualex announced a joint agreement to target the mass market for greater minilab penetration with a new Gretag processor.
- 3M also came out with new, improved film formulations on its 100 and 200 speed Scotch and store brand lines. The company also spun off a new line of photo management products, albums, postcards, greeting cards and frames, based on its Post-it adhesive technology. A new high-density display allows retailers, such as Venture and Target, to turn a whole 4-foot section of $1,200 worth of merchandise in less than four weeks.
- Keystone, despite filing for Chapter 11 protection on Jan. 23, was showing five new affordable cameras. The company reported that its suppliers were supporting the company with reasonable credit terms.

Wal-Mart Testing Supermarket Pioneered VideOcarts

(Continued from page 3)
plays sale goods or regularly priced items that Wal-Mart wants to highlight. As shoppers wheel a cart through the store, up to four items per aisle can be featured.

The screen presentation shows the department header and information on the products like brands, brief descriptions, sizes and everyday and sale prices for promotional goods.

Long-range, Wal-Mart is interested in tieing in the VideOcart advertising displays with its weekly tab, ROP and nationwide promotional programs.

- Checkout line feature, which shows world and national news, movie reviews, entertainment news and trivia questions and answers.

Wal-Mart's test is designed to answer a number of questions about the viability of the technology:

- What are the best products to feature?
- Will the carts boost sales of featured merchandise?
- Will consumer use of the carts fall off over time?
- How can the units produce revenue for the discounter?

The retailer also wants to be able to originate and update the VideOcart's information from its Bentonville computer center through its satellite network, just as it now makes daily real-time changes in its point-of-sale system. Currently, VideOcarts are updated from the vendor's Chicago headquarters using telephone lines.

Once Wal-Mart can update the terminals from Bentonville, it could make instant changes in prices and featured items and highlight different items in each store as part of its target marketing effort.

VideOcart plans to conduct shopper interviews at the Rogers store to gauge cart usage and obtain customer input on how to improve the units.

The company is working with Wal-Mart on determining what general merchandise items to feature, on developing ad programs with non-food manufacturers and on devising a revenue sharing program. The retailer selected all the items shown on the initial VideOcart presentation.

VideOcart provides its terminals free to retailers. Its income comes from the revenues sharing programs it has with supermarkets for the 10-second ads that appear as a shopper passes a promoted item in an aisle. Additionally, a retailer gets to use a part of the terminal's memory for its own merchandising programs.

A similar arrangement, including the amount of memory for the retailer's exclusive use, is expected to be worked out with Wal-Mart, Dupre said.

The VideOcart technology works as follows:

The terminals contain about one megabyte of memory and all the information is maintained in the terminal. The units aren't tied into the store's computer system.

Basic information like the listing of items and the store map is retained on an ongoing basis. Information that changes, like featured items and the checkout line programs, are updated each day.

As a cart is pushed down an aisle, ceiling-mounted infrared sensors trigger the terminal to show specific information. There are about 500 sensors in the Rogers store, compared to the 135 in a typical supermarket setup.

Each sensor's infrared beam is a cone that covers about 6½ feet of aisle space. As a cart enters a cone, it is directed to display specific information like the four featured items or an ad for merchandise in that area.

The cart displays this information until it enters another cone where the overhead sensor triggers another presentation.

Wal-Mart Passes Kmart as Top Chain

(Continued from page 2)
jumped 134.3% to $756.2 million from $322.7 million. However, in 1990 Kmart had a $640.1 million restructuring charge that reduced its earnings.

In the fourth quarter, the retailer's sales were flat at $9.74 billion, while it had $402.3 million in earnings against a $20.5 million loss in the previous year.

Kmart's gross margin fell to 25.5% from 26.4%, primarily due to the full-year inclusion of the lower margin Pace Membership Warehouse operation and the year-long impact of the discounter's expanded competitive pricing program.

The selling, general and administrative ratio dropped to 21.9% from 22.5% as a result of the inclusion of Pace, which has substantially lower operating expenses than such other company businesses as Builders Square, Waldenbooks, Pay Less Northwest and The Sports Authority, according to the retailer.

ALCO Files Reorganization Plan; Firm Enlists Secret Investors

(Continued from page 1)
would he comment on chainwide sales or profits. Several manufacturers that supply the chain said they will continue to make shipments to the chain, as usual. Duckwall-ALCO filed Chapter 11 in May of 1989 and subsequently closed 52 stores that were found to be responsible for bottom line losses totalling over $10 million dollars.

Competition from other retailers, especially Wal-Mart had been cited as a contributing factor to these losses. Bogan said that no additional store closings are part of the present reorganization plan.

Since the time of the filing, the retailer has continued to operate 81 ALCO stores and 19 Duckwall variety stores in a 12-state, central U.S. region.

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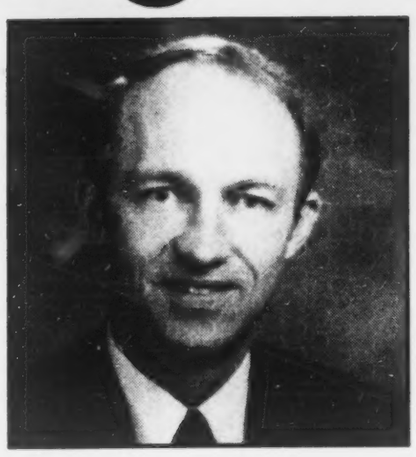
Caldor Going Public to Cut Debt

NORWALK, Conn. — The Caldor Corp. hopes to sell nearly 2.8 million shares of common stock at an anticipated price of between $17 and $19 per share, according to a registration statement filed in mid-March. The chain expects to raise $46 million from its public offering and would use the money to retire debt incurred, in part, when Caldor was purchased from The May Department Stores Co. two years ago.

A total of 4.15 million shares would be up for sale, nearly 1.4 million shares by current stockholders.

An additional $1.4 million could be generated if selling stockholders exercise warrants to purchase about 441,000 shares of stock.



Don Clarke

Marc Balmuth

The registration statement, filed with the Securities and Exchange Commission March 18, noted that Caldor plans to use $41 million of the proceeds to repurchase $40 million of its senior subordinated notes, and to use about $5 million to reduce borrowings under its credit agreement.

If completed, Odyssey Partners, L.P., the New York-based leveraged buyout firm, would maintain majority ownership with 35.1% of stock; the public offering would represent 30.7% of total shares outstanding; Donaldson, Lufkin & Jenrette would control 12.8%; May Funding 9.1%; Caldor management 9.0%; and the remaining 3.3% would be distributed to warrant holders, noted a Caldor spokesman.

The extensive document revealed that the regional discounter has been successful in boosting its sales and income since its purchase by Odyssey from the May company in October 1989. The chain's income (before taxes and interest expense) rose from $39 million in 1987 to $80 million in 1990. Same store sales for those years grew at an average of 5.3% per year. Key to this improved performance is Caldor's remodeling program.

Sales at remodeled stores during their first six months in operation were up 10.7% compared with same store sales increases of 4.5% at other locations. Caldor projects that the remodeled stores will each average $23 million in sales this year, while unchanged units are expected to generate $15 million each, according to the registration statement. Currently 21 of the chain's 122 stores have been remodeled. The document further states that future plans include 12 remodels each year at a cost of $1.2 million for each unit.

A focus on soft lines was also mentioned as aiding the chain's profitability. Gross

(Continued on page 26)

Best Projects $1.7B in Sales in '91

Chain Expects $46.5M From Operating Income

By Arthur Markowitz

RICHMOND, Va. — Best Products' initial projections for its operations this year, while it develops a bankruptcy reorganization plan, foresee $1.7 billion in sales and operational earnings of $46.5 million.

President Stewart Kasen told creditors Best expects to end 1991 with $242 million in cash and $502 million in inventories, the latter "$58 million increased from the depressed level at year-end 1990."

He said that "more than 835 vendors—out of a vendor base of 900 companies—have agreed to ship to us on terms, and the number continues to grow. Inventories receiving for February were $60 million, and we anticipate March receivings will be well above $100 million."

The cataloger has been sending out semi-monthly analysis on its financial position and business activities, along with decisions handed down by the U.S. Bankruptcy Court for the Southern District of New York, which is overseeing Best's Chapter 11 proceedings.

Best's projected 1991 sales would be a 5.3% drop from its estimated 1990 volume of $1.8 billion and a 16.8% plunge from 1989's actual $2.1 billion in sales. This year's operational earnings (before depreciation, amortization, interest and taxes) are expected to be a 17.9% jump from 1990's projected $39.4 million in operational income, but a 65.8%

(Continued on page 23)

New Owners Revamp Child World

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— With the d to WC Ac- ed to be com- w weeks, the planning a iew of the rototype, in- nd financial

ne work will start," said W. John Devine, a partner in WC Acquisitions with Ronald Tuchman, both former senior executives with Toys "R" Us, the Paramus, N.J.-based industry leader.

The "work" includes revisions in the prototype and the beginning of a chainwide renovation program.

In the near term, however, Child World's new owners will concentrate considerable effort on completing the purchase, paying vendors and replenishing inventory levels.

WC Acquisitions is expected to complete the purchase of 182 Child World toy stores by the end of April, a move that for now at least saves the chain and the toy industry from another Chapter 11 bankruptcy filing.

Child World owes about $325 million to its banks and trade creditors.

Under terms of the sale, WC Acquisitions will acquire in a non-cash transaction the 82% equity in Child World held by its former owner, CNC Holdings, but will retain only 78% of it. WC Acquisitions also will assume $60 million in long-term subordinated

(Continued on page 26)

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***Children's apparel** is one of the departments that has had a reduction in selling space in Clover's smaller prototype.* (DSN photo)

New Clover Prototype Ideal for Smaller Areas

By Richard C. Halverson

LANSDALE, Pa. — Clover has opened a new smaller prototype store designed for less populated markets.

At 70,000 square feet, the prototype, which opened last month outside this town north of Philadelphia, runs about 18% smaller than Clover's standard 85,000 square feet. But in layout, the new unit is identical to its larger cousin, said Warren White, general manager of Clover, the discount arm of Strawbridge & Clothier.

The number of offerings has been cut by about 5%. The new prototype also eliminates a couple of checkouts and reduces storage space, White said.

Departments around the perimeter of the store, such as shoes, sporting goods and toys "remain pretty much the same," a Clover merchandiser said. Much of the selling space reduction comes in departments within the center or the racetrack, children's and junior apparel, domestics and home decor.

The new store is Clover's 25th. It will be the only new

(Continued on page 26)

MARKETWATCH

Wal-Mart Eyes $1B Unsecured Debt Issue

BENTONVILLE, Ark. — Wal-Mart has filed a shelf registration with the Securities and Exchange Commission to raise up to $1 billion of unsecured debt. The funds would be used for working capital and to repay short-term debt, which currently totals about $756 million. The move would enable the discounter to swap short-term borrowing for long-term debt at lower interest rates, although the length of the debt securities and their interest rates still have to be set.

Court Stops Sears From Issuing Visa Card

DENVER — A federal appeals court here has temporarily upheld a Visa U.S.A. request to stop Sears from launching a Prime Option Visa card. The court still has to rule on the basic issue of the case, whether Visa U.S.A. membership requirements can legally prevent Sears from issuing the card or whether the bank card association's rules violate federal and state antitrust laws. A lower court last month had ruled that Sears can issue the Visa card (see *DSN*, March 18, page 2), but Visa U.S.A. appealed that decision.

Service Merchandise Cuts Debt

BRENTWOOD, Tenn. — Service Merchandise has increased to $52.8 million from $41.2 million the prepayment made on term loans due in 1995. The debt is the $50 million (and interest) balance of the $140 million real estate bridge loan that was part of the cataloger's $975 million recapitalization in July 1988. The company prepayed the term loans, rather than its secured term loan, to reduce interest expenses by eliminating higher cost debt. The move, part of the cataloger's drive to cut recapitalization debt as quickly as possible, was agreed to by its leading lenders.

Auchan Sells Hypermarket, Exits Chicago

CHICAGO — Auchan, the French hypermarket retailer, has sold its modified hypermarket in Chicago's Bridgeview suburb to focus on its traditional full-line prototype used in Houston. While the Bridgeview Auchan produced over $70 million in sales, it didn't include an apparel section. Auchan has one hypermarket in Houston and asserts it will use that format to expand in Texas and the southern United States.

It's No. 2 For Ikea In Metro New York

HICKSVILLE, N.Y. — Ikea, the Swedish home furnishings retailer, opened its first New York state store in this Long Island suburb March 20. The metro New York area is the only market with two Ikea outlets, the other being in Newark, N.J. The 226,000-square-foot store's new features include a new traffic flow pattern and a custom couch department with a delivery service called Ikea Custom Sofas. The retailer also debuted Ikea-brand bed linens in sizes that fit American beds.

Deaf Can Now Read ShopKo TV Ads

GREEN BAY, Wisc. — ShopKo has introduced closed captioning for all of its commercials, enabling deaf and hearing-impaired viewers to understand the ads. Closed captions are subtitles that are visible only to viewers who have a decoder attached to their televisions, or whose televisions have such a decoder built-in. There are 300,000 households in the U.S. with decoders.

A First, Hills DIP Financing Rated 'A'

CANTON, Mass. — Fitch Investors Service, an independent financial rating service, has give an "A" rating to Hills' $250 million Debtor-In-Possession facility from Chemical Bank. This rating marks the first time Fitch has ever rated a DIP facility. Hills filed for Chapter 11 bankruptcy Feb. 6.

Prange Way Launches Own Credit Card

GREEN BAY, Wis. — Prange Way has launched its own credit card, using General Electric Capital Corp. as the outside financing administrator. President Larry Sommer said the regional chain expects to sign up 100,000 accounts and build the credit area into a profit center. There wouldn't be any charge for the card, which will carry an annual 18% fee. Billing envelopes will be used for advertising special promotions, while the discounter would accept mail order inserts from vendors. The chain currently accepts Visa, MasterCard and the Discover Card.

Jamesway Refinances, Shuts 11

SECAUCUS, N.J. — In an effort to strengthen its financial position, Jamesway Corp. has secured a $40 million refinancing agreement and will close 11 unprofitable stores.

These decisions were announced at the same time the retailer released fourth quarter and year-end financial results, posting a loss in earnings for both periods.

Herb Fisher, chairman and chief executive officer, blamed the fourth quarter results on "a store closing reserve, a LIFO charge, a 4% comparable store sales decline, the cost of increased promotions and the overall difficult retail environment."

Following the store closings over the next 80 days, Jamesway will operate a total of 123 stores.

The two-year revolving loan agreement was signed with a group of banks including Marine Midland, First Fidelity and Harris Trust.

Despite the chain's difficulties, industry analysts maintained that, unlike many retailers, Jamesway has had very little in the way of long-term debt, a situation that bodes well for the chain's future.

Sales reported for the fourth quarter were $275.3 million compared with $287.5 million for the fourth quarter ended February 2, 1990.

For the 1990 fiscal year (ended February 2, 1991), the company reported a net loss of $17.6 million or $1.28 per share, which includes a provision for store closings of $11 million or $0.08 per share as well as a credit to income of $3.7 million or $0.27 per share from a change in accounting for income taxes.

Year-end results also included a LIFO charge of $4.3 million or $0.31 per share. Last year, the company reported net income of $5.8 million or $0.01 per share.

Fisher said the savings resulting from the store closings as well as tighter inventory controls, the refinancing and a new management team, "places us in an excellent position to return to profitability in the coming fiscal year."

The chain is still operating without a president, but had appointed a number of executives in the last few months.

In the midst of this news, Jamesway opened a new store in Rio Grande, N.J., March 22, one day after its initial announcement of the closings.

Herb Fisher

A spokesman for the retailer said the announced closings would not affect future plans for store openings.

Other plans will continue on schedule as well. Jamesway also plans to have universal point of sale scanning in place in all its stores by the end of April.

In a letter to its vendors and factors announcing these moves, Kevin Regan, executive vice president, noted that the retailers balance sheet remains strong, as the company is not highly leveraged.

"Our inventory position at year-end declined, even though we increased our number of stores from last year. This year we have $192 million of merchandise on hand servicing 134 locations versus $207 million last year servicing 130 stores," he said.

Jamesway also operates two My House housewares and domestics stores. The retailer does not break out sales separately for the My House division, but reported the closings would not affect the housewares' division's operations.

Jamesway Store Closings

State	City
New Jersey	Hamilton Township
Pennsylvania	Sinking Springs Cornwells Heights Whitehall Shamokin Bethlehem Lancaster
Delaware	Wilmington
Maryland	Aberdeen
Virginia	Elkton
New York	Rotterdam

Source: Jamesway Corp.

Vote for Discounter of the Year

It's time again to sharpen up your pencils and vote for the top discount executive of the year (see ballot on page 24).

This year's roster of nominees is among the most impressive ever, encompassing leaders of major discount chains, a wholesale club, and two specialty operations.

Nominations are made on the basis of profitable performance during the past fiscal year, leadership, and impact on the industry. The nominees are:

- **Bernard Brennan**, chairman, president, ceo, Montgomery Ward.
- **Don Clarke**, chairman, ceo, Caldor.
- **David Glass**, president, ceo, Wal-Mart.
- **Monroe Milstein**, president, ceo, Burlington Coat Factory.
- **James Sinegal**, president, ceo, Costco.
- **Thomas Stemberg**, chairman, ceo, Staples.

Deadline for ballots is May 1.

The winner will be honored at the annual SPARC (Supplier Performance Award by Retail Category) banquet on August 11 at the Downtown Marriott, Chicago.

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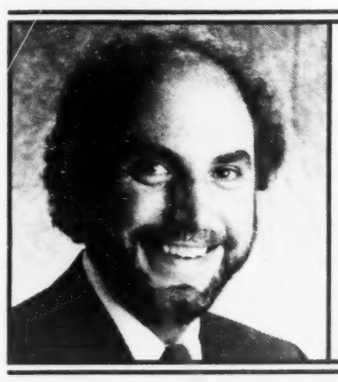
EDITORIAL

Retailing's Future is Now in Dallas

Have you ever wondered what the world of retailing would be like dominated by the megachains?

Then just take a trip to Dallas where the future is now.

This bustling city is a perfect example of the trend that many retail analysts and observers have predicted for several years—a market dominated by the giant retailers in almost every segment of the industry.



TONY LISANTI
Editor

As you drive around the LBJ Freeway, it won't take you long to notice that Wal-Mart, Kmart and Target—along with every giant fast food and dinner house chain—are everywhere. The Big Three operate about 80 stores throughout the Metroplex. Only six or seven years ago, several other discounters such as Woolco, Treasure City, Gibson's, and TG&Y had operated stores in the Dallas market. Among specialty discounters, Toys "R" Us, Home Depot, Western Auto, Marshalls, Pier 1 and Circuit City dominate. Even the department store sector is dominated by giants—Foley's and Dillard's as well as Neiman-Marcus and JCPenney, which are both headquartered here.

Dallas is also an example not only of the polarization in society but the polarization in retailing as well. There are two classifications of retailing in Dallas—high end and mass market. Both are dominated by the big chains, while small mom and pop retailers, which are clustered around them in small strip centers, continue to fight for survival.

Major chains dominate retailing in this formerly depressed market. It has become a virtual shopper's paradise. The Metroplex has it all—style, fashion and value.

This is the harsh reality of retailing. It's been predicted for years and it's occurring not only in Dallas but in other major cities as well.

The fact is that this consolidation and polarization have not affected the viability of the marketplace, the availability of products, or consumer's pursuit of a good buy.

Dallas is a shopper's market; a virtual paradise of stores ranging from the ritzy Galleria to Sam's Club. (And I'm willing to bet that their customers overlap!) The Metroplex has it all—style, fashion and value.

So, when all the analysts and observers predict a retail industry dominated by the giant chains, why is it that their comments are generally tinged with an overview that can be summed up as doom and gloom? Why do some observers believe that dominance by giant retailers will cause turmoil in the industry? Why do others predict the demise of the mass market?

Frankly, that's not happening. Despite the dominant market share of the giant retailers, the Dallas retail market, in deep recession just a few years ago, is thriving, albeit intensely competitive. Customers have their favorites and it's not for obvious reasons, such as price and selection, but for reasons such as how long a drive to a particular store, which side of the highway the store is located on, and what time the store opens or closes.

Meanwhile, a whole new breed of niche retailers is emerging to satisfy consumer needs not fulfilled by the giant retailers. And by the year 2000, several specialty concepts will probably grow into strong regional chains. And so the cycle of retail development will start over again.

If you haven't been to Dallas recently, it's definitely a market worth studying. *DSN* will profile it in its April 15 issue in conjunction with its pre-convention report on the International Mass Retailing Association's annual convention which will be held in Dallas May 4 to 7.

IMRA's annual event, which has several excellent seminars on the program, is certainly worth attending, and it offers the opportunity to visit a hotbed of retailing as well.

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Make sure all letters are addressed to Letters Department, Discount Store News.

As usual, all letters may be edited for reasons of space or clarity. Discount Store News cannot consider unsigned letters, but will withhold names on request.

Our mailing address is: Discount Store News, 425 Park Ave., New York, N.Y. 10022.

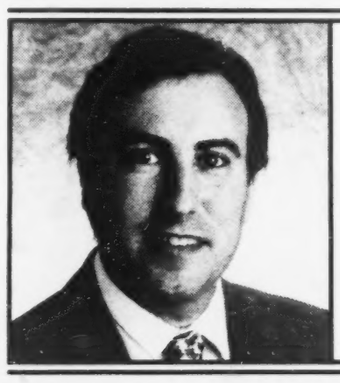
BUYERS & SELLERS

Check Out Checkout Merchandising Findings

Call it the Catch-22 of retailing. You want customers to purchase those Lifesavers, *TV Guides*, yo-yos, Sensor razor refills, Topps baseball cards and Butterfingers that you stack all around the checkout area of your stores. But, at the same time, you want customers to be able to pay for their purchases and get out of the store as quickly as possible.

There's even a better than 50/50 chance that minimizing waiting time at checkout may be one of the primary goals of your chain as you attempt to upgrade the shopper's experience. And, you may already be spending millions to upgrade your point-of-sale systems with automatic price look-up, electronic scanning of bar codes and on-line or satellite credit authorization.

So, if your shoppers are buying more at the checkout, are you making them wait too long in line? Are you souring them on making a future visit to your store?



DON LONGO
Exec Editor

Long checkout lines build sales but no lines build even more sales. So, what is a retailer to make of strong sales performance at the checkout counter?

In a recent, exclusive survey of discount store shoppers, *DSN* found that one in every 12 shoppers (8%) at a discount department store made a purchase while waiting on line. The percentage of shoppers making a purchase increased as the wait on line got longer. For example, only 3% of shoppers who had one person ahead of them when they rolled their cart into the checkout made a purchase. With two persons ahead of them, 5% made a purchase; with three persons, the percentage rose to 10%.

Ironically, when the shopper is alone at the checkout, she is *even more likely* to make a purchase. Twelve percent of the shoppers who had no one ahead of them when they went to the checkout, reported making a purchase from that area of the store. The impulse to buy is greatest when the shopper feels free to peruse the offerings without having to worry about what's going on with the person ahead of her.

So, what's a retailer to make of strong sales performance at the checkout counter? Are lines moving too slowly? Or, is business so bad that no one has to wait on line at all?

Obviously, checkstand sales is a high-margin business and every retailer should want to maximize results from this often-overlooked area of the store.

Discount Store News will publish the complete results of this exclusive Checkout Merchandising study, conducted by Leo J. Shapiro & Associates, in its April 15 issue. The complete study will also identify the best-selling items at the checkout and analyze the checkout performance of the discount industry's three largest chains, Wal-Mart, Kmart and Target.

So, check out Checkout Merchandising.

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HOME PRODUCTS

Housewares • Domestics • Photo • Consumer Electronics • Home Office • RTA Furniture

Recession Jars Home Canning

New Products, Soft Economy Foster Rebirth

By Mary Ellen Kelly
Nationwide DSN Report

The environment, health, and nutrition.

These buzzwords of the '90s, coupled with the current economic downturn, have fostered the rebirth of the home canning and food preservation market.

Certain parts of the country, including the Mountain and Central states, always have been home to the consumer who "stocks up for the winter." But, concern about what pesticides and additives are used in commercially packaged foods is prompting others to cultivate their own produce and package their surplus harvest.

In response, full-line discounters, including Wal-Mart and Kmart are said to be re-evaluating their commitment to the category for this autumn's selling season, and may give home canning equipment and supplies more shelf space. Most manufacturers believe 1991 will be a year of about 20% growth.

Roughly 80% of all U.S. households are involved to some extent with lawn and garden activities; of this population, nearly one quarter—or 18 million households—currently are involved in some variety of food preservation, according to Bruce Butterfield, research director with the National Gardening Association.

He expects to see food preservation climb by over 6% during 1991, in conjunction with an increase in the number of households with a vegetable garden. Roughly 30 million homes had a vegetable garden in 1989; 34 million grew their own produce in 1990. A small rise in the number of households with a vegetable garden is anticipated for 1991.

The current economic downturn is expected to cultivate the home grower and canner market.

"Historically, over the past 20 years, peaks in both gardening and canning have taken place during times of economic recession," he said. The two peaks during the past two decades occurred in 1981 when the soft economy was punctuated with the stock market crash, and in 1975, during the oil embargo when gardening reached an all-time record, Butterfield explained.

Bill Beesley, president of Back to Basics, Sandy, Utah, said the economic condition of the country and the war in the Persian Gulf have boosted sales of the firm's food processors and preserving devices.

"Basically, crises makes people want to be prepared in the form of water storage, food storage. During the month after the war started, for example, we sold 3,000 grain grinders. Our business is a reverse barometer of consumer confidence," he said.

Unlike most of the manufacturers specializing in food preservation supplies, Back to Basics has brought to market a number of items that are not home canning items, but sell to the same type of consumer.

Home Canning and Food Preservation on the Rise

	1990	1991 (projected)
Canning	16%	—
Freezing	18	—
Food Processing	3	—
Drying	1	—
Total Category	24%*	30%

*Total does not duplicate the number of households involved in more than one food preserving technique.
Base: The 80% of all U.S. households involved in lawn or garden activities
Source: National Gardening Association

New tomato and pickling mixes plus a newly released educational video from Ball Corp., Muncie, Ind., are enticing new customers.

Among these items are the grain grinder, a non-electric breadmaker (dough kneader), and an apple/potato peeler. Other products expected to be introduced within the next year or so are a seed sprouter and a non-electric food dryer.

Beesley forecasts a 20% rise in sales this year; sales have been up about 20% each year for the past several years.

Another manufacturer developing new sales of its basic canning equipment as it stimulates sales of canning veterans is industry leader Ball Corp., Muncie, Ind. New, easy-to-use mixes were launched last year as part of an extensive two-year new product campaign. Among the new mixes were six designed for the home gardener with a surplus of tomatoes. Premixed seasonings were available for everything from tomato sauce to ketchup. Seven pickling mixes were also launched.

Dave Trimbur, Ball product manager, said the company has had an increase in the number of recreational canners. Looking to build the number of young people involved in canning, Ball completed a new 30-minute video on home canning basics that is now available to schools.

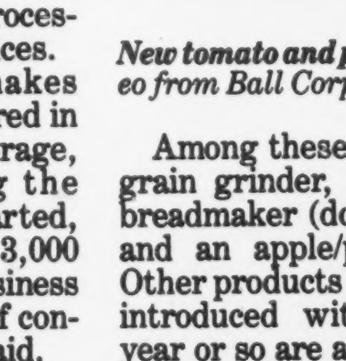
Not all sales of jars designed for home canning end up being used for long-term food preservation. Mark Myers, sales manager with VMC, Reynoldsburg, Ohio, said he thinks a large number of the firm's Le Parfait preserving jars are ultimately used for decorative storage or for cold-pack storage for short-term use.

While VMC has worked primarily with specialty stores like Crate & Barrel in the past, Myers said he has found full-line discounters to be increasingly receptive to the category. This receptivity, coupled with expanded business with specialty chains, is expected to double VMC's U.S. sales volume this year, Myers said. Nearly 40% of VMC's U.S. sales consist of preserving jars, compared to 30% of international sales volume. The worldwide market has dropped somewhat in recent years, but U.S. business continues to climb. Last year, U.S. sales of Le Parfait jars were up 13%.

While most vendors reported strong sales last year and double-digit gains for 1991, makers of higher ticket products are in a lull. Warren Wind, vice president of direct mail supplier Glashaus, Arlington Heights, Ill., said sales have been level recently.

SOUND BYTES

Mass Market CE: The New Reseller



PETE HISEY
Senior Editor

It's been several years now, and the personal computer, which was supposed to become the next VCR, is still a fairly esoteric, business-only device. Remember the stories back in the late '70s that within a decade, every American home would feature a computer that would become the center of the household, bringing in electronic newspapers, turning on the microwave oven, setting the thermostat, automatically taping your favorite shows, offering stock quotes, and so on?

Except for a relative handful of U.S. homes, that never happened. And, it probably won't. The average American just isn't interested in those so-called consumer applications of computer technology. But that doesn't mean that he or she isn't interested in computers. At the right price, a computer has many home business applications that even those not working out of the home desire.

And, according to most industry sources, the price is rapidly getting right. Most CE retailers pinpoint computers and accessories (particularly printers, supplies like ribbons and diskettes, and computer furniture) as major growth areas. Deep discounters like The Soft Warehouse and office supplies chains like WORKplace and Office Depot are making major statements in the business. And, finally, the big two manufacturers, IBM and Apple, are looking at the mass market as primary routes for their products.

That newfound interest is in direct proportion to declining interest in the traditional reseller market. Growth in the computer category is changing over from specialized users demanding intensive service to general users demanding low prices and ease of use. Resellers, like Businessland, have not reacted; discount specialists have.

Full-line discounters are now entering the market (Wal-Mart, as usual, has a significant early lead in understanding this complex business), and they will bring even further price pressure to bear on traditional resellers. In the not-to-distant future, the market will almost certainly split into business-to-business and consumer channels. And that will probably leave resellers somewhere in the middle.

The consumer boom in computers is almost a certainty; ironically, the distribution channel that first brought computers to the American home might not be around to enjoy it.

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Clover Opens Downsized Prototype

(Continued from page 1)
store for 1991, but the chain expects to open two in 1992.

Peter Strawbridge, president of Strawbridge & Clothier, said during a grand opening interview that Clover has filled in the inner perimeter of the eight-county market around Philadelphia.

"The smaller stores are designed for less-dense markets on the outer periphery," Strawbridge said.

The smaller store will require about 160 employees, compared to about 225 for a full-size store. Clover is retaining the full-size prototype for appropriate markets.

In sporting goods, Clover has squeezed in six activewear apparel four-way racks to display merchandise such as 100% basic cotton T-shirts from Lee. For the grand opening, the on-ad price was $3.99, down from $5.99 everyday.

New Racking is Added

The new racks reflect more concentration on sporting goods apparel, said Jeff Gleiser, divisional merchandise manager for sporting goods and other hard lines.

Also in apparel, Clover is continuing efforts to upgrade apparel, taking on more of the same lines that Strawbridge & Clothier carries, such as Object D'Art cotton sweaters for juniors at $24.99, or about 25% less than at its department store parent.

Clover expects the new store will somewhat cannibalize sales at its existing store at Center Square, about a 15-minute drive away.

The closest discount store competition now is from an older Ames store in Lansdale, about six miles away.

Bradlees is the major competitor in the market that Clover dominates, said Terrence McEvoy, analyst for Janney Montgomery & Scott.

"The smaller store will be more productive," he said.

As a family controlled, though public corporation, Strawbridge & Clothier refuses to break out Clover's sales and operating profits. But McEvoy estimates that 1990 sales rose 3% to around $400 million to $425 million. Because Clover opened only one store last year, same store sales gains were about the same as total sales.

Along with profits of its department store brethren, Clover's operating profits plunged last year to $15 million, McEvoy estimated. Clover's operating profit margin was about 3.6% of sales in 1990, he said.

Last year was an especially difficult one. But the analyst expects Clover to rebound this year.

For Strawbridge & Clothier as a whole, net profit margin was about 1.8% in 1990, McEvoy said. He estimates that net profits skidded to about $2 a share in 1990 from $3.41 per share in 1989.

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WC Acquisitions Plans to Restructure Child World

(Continued from page 1)
debt CNC owes First Executive Corp., a Los Angeles insurance company.

CNC will get back a 4% stake in the chain and assume $30 million of the $135 million short-term senior bank debt the toy chain owes its banks.

Holders of Child World's approximate 2 million publicly held shares, or 18% of total equity, will get $2 per share.

The deal will also result in Child World vendors holding a 5% equity in the chain.

Child World's banks have committed $143.3 million in ongoing and new credit, including $100 million to finance the chain's inventory needs. The banks will have the opportunity to acquire a portion of the chain's equity and subordinated debt "in lieu of certain facility and restructuring fees," the company said.

The financing allows Child World "to operate through the next two Christmases," said Devine, noting that the chain now has more liquidity than it has had in years.

The sale and cash infusion will mean that all vendors, not just ones owed less than $100,000, will be paid back in full. Vendors with claims over $100,000, however, will be paid on a schedule:

- 63% of a vendor's outstanding balance will be paid back by November with at least 30% of it paid at closing;
- 7% will be paid within 30 days of the late April closing;
- 26% of the outstanding balances will be paid between August and November;
- 26% will be paid out in cash over five years;
- 11% will be paid with a 12-year debenture, which, subject to compliance with legal requirements, would be convertible into 5% of the acquiring firm's common stock.

Vendors with claims under $100,000 will be paid in full prior to the sale closing date.

"With this deal behind us, we are ready to get down to the business of rebuilding Child World," said Devine.

Rebuilding Child World includes refining the chain's prototype, a project Devine and Tuchman have been working on since February when they were retained as consultants.

Store characteristics under review are gondola height, sku count and making the store "more user-friendly," said Devine. He called Child World's Framingham, Mass., store "fascinating" and a "step in the right direction."

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Vol. 30, No. 7 April 1, 1991

Caldor Going Public to Cut Debt

(Continued from page 1)
margins for sales of soft lines are roughly 36%, compared to 26% in hard lines. Soft lines sales have risen from 27% of total sales in 1986 to 32% of sales in 1990, and the chain hopes to increase soft lines to 35% of total revenues by 1993.

In addition to the remodels, an aggressive expansion agenda was suggested: four new stores in 1991, six stores in 1992 and 8 to 10 units per year from 1993 to 1995. The total expansion bill was estimated to average $45 million per year.

The expected growth in the store base would require the opening of a second distribution center within five years; the North Bergen, N.J., DC, which was expanded in 1989, currently stocks all stores.

Mead

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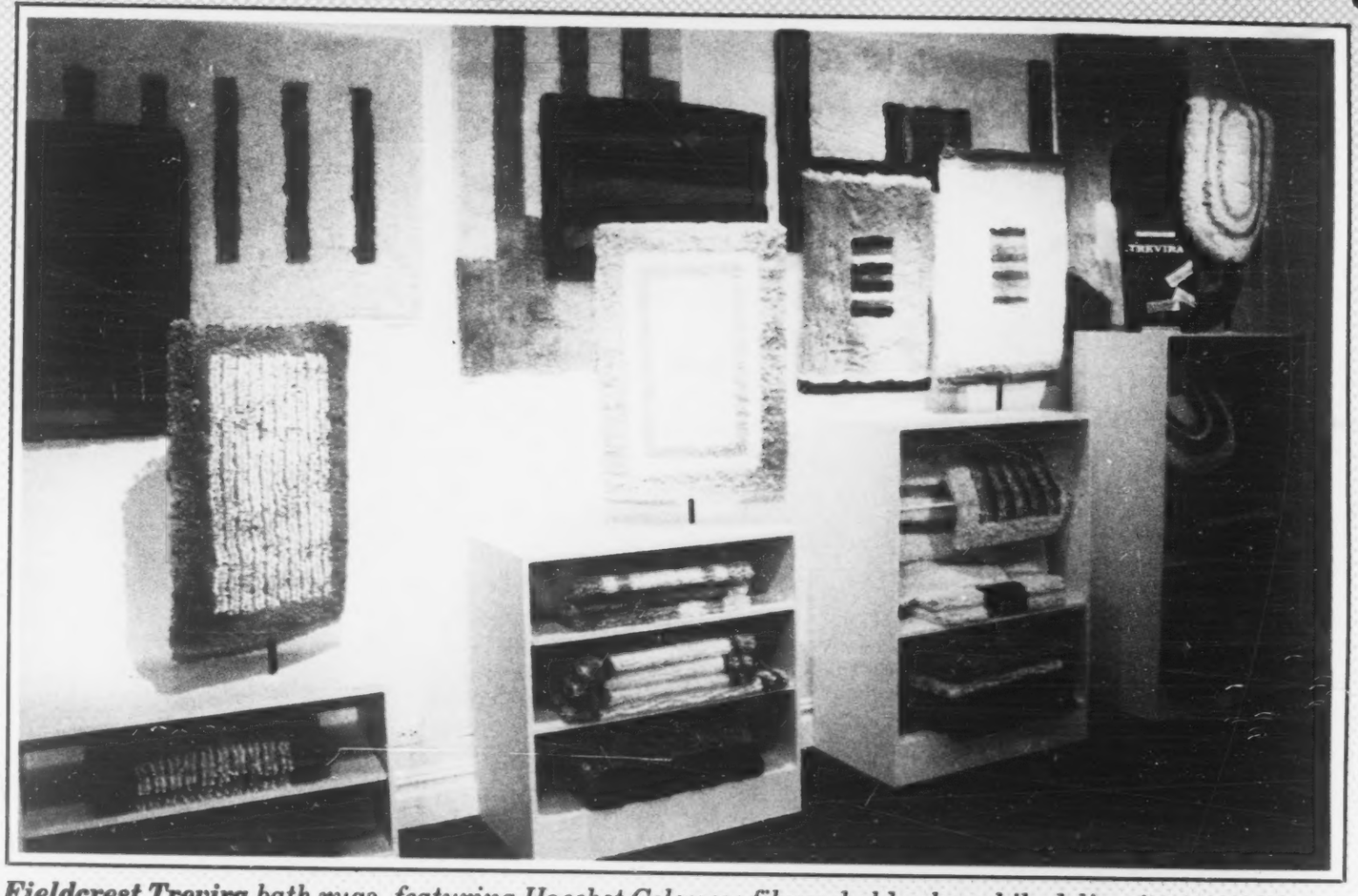
New Emphasis on Rugs



***Fieldcrest Trevira** bath rugs, featuring Hoechst Celanese fibers, hold color while delivering a good hand.*

New fibers for bath rugs and other accessories drawing remodeling dollars to mass merchants

By Faye Brookman

As millions of Americans hop out of their showers every day, chances are they are stepping onto a higher-quality bath rug than they would have just five years ago.

Today's new emphasis on the bath has had a positive impact on the $500 million (retail sales) bath rug business as customers seek richer, more luxurious rugs to pamper their soles and to complement upgraded bathroom decors. As one supplier aptly put it: "Who wants a cheap $2.99 rug next to a Roman soaking tub?"

The current state of the economy suggests that consumers will continue to turn to accents such as bath rugs and shower curtains as a method to give a fresh look to bathrooms.

"It's more economical to update with accessories," said Victor Powell, marketing manager, floor coverings at Hoechst Celanese Corp.

Recent *HomeMarket Trends* research paints a bright picture for bath rugs—73% of those redecorating their bathrooms indicated they would be in the market for a new bath rug this year.

Discounters plan to take advantage of the demand by making rugs more visible in their stores. At Kmart's newest format, for instance. the bath departn repositioned closer to the front of the store.

At Ames, bath mats are also highly visible to capture consumer interest. "Indeed," said Robin Stuart, bath buyer, Ames Department Stores, "the business is driven by replenishment and impulse."

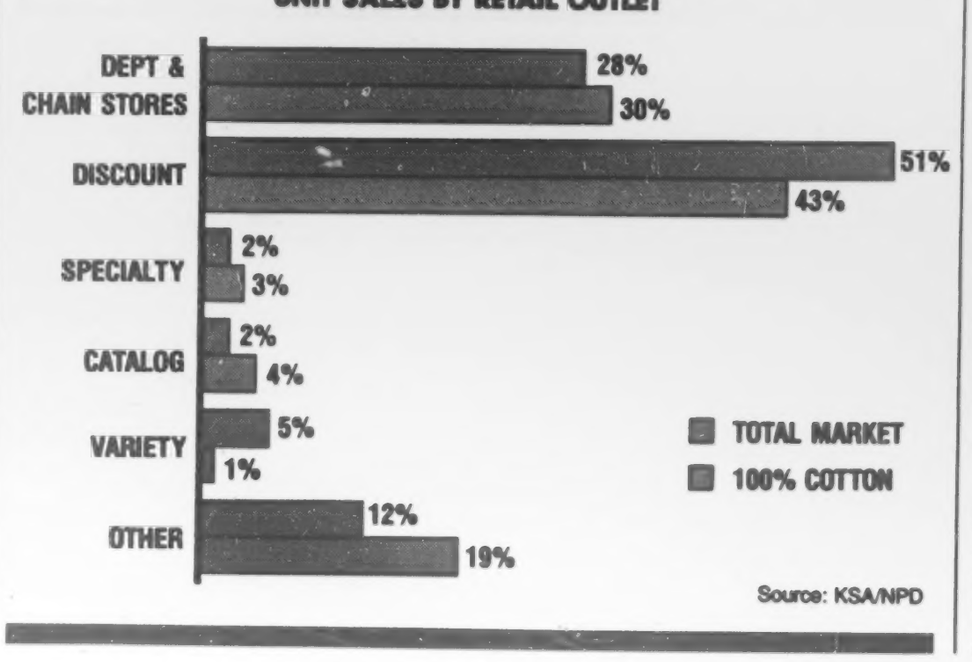
Despite the promising news, the bath rug industry is in the midst of a rampant consolidation. Most recently Springs announced plans to acquire another major player in the business, C.S. Brooks.

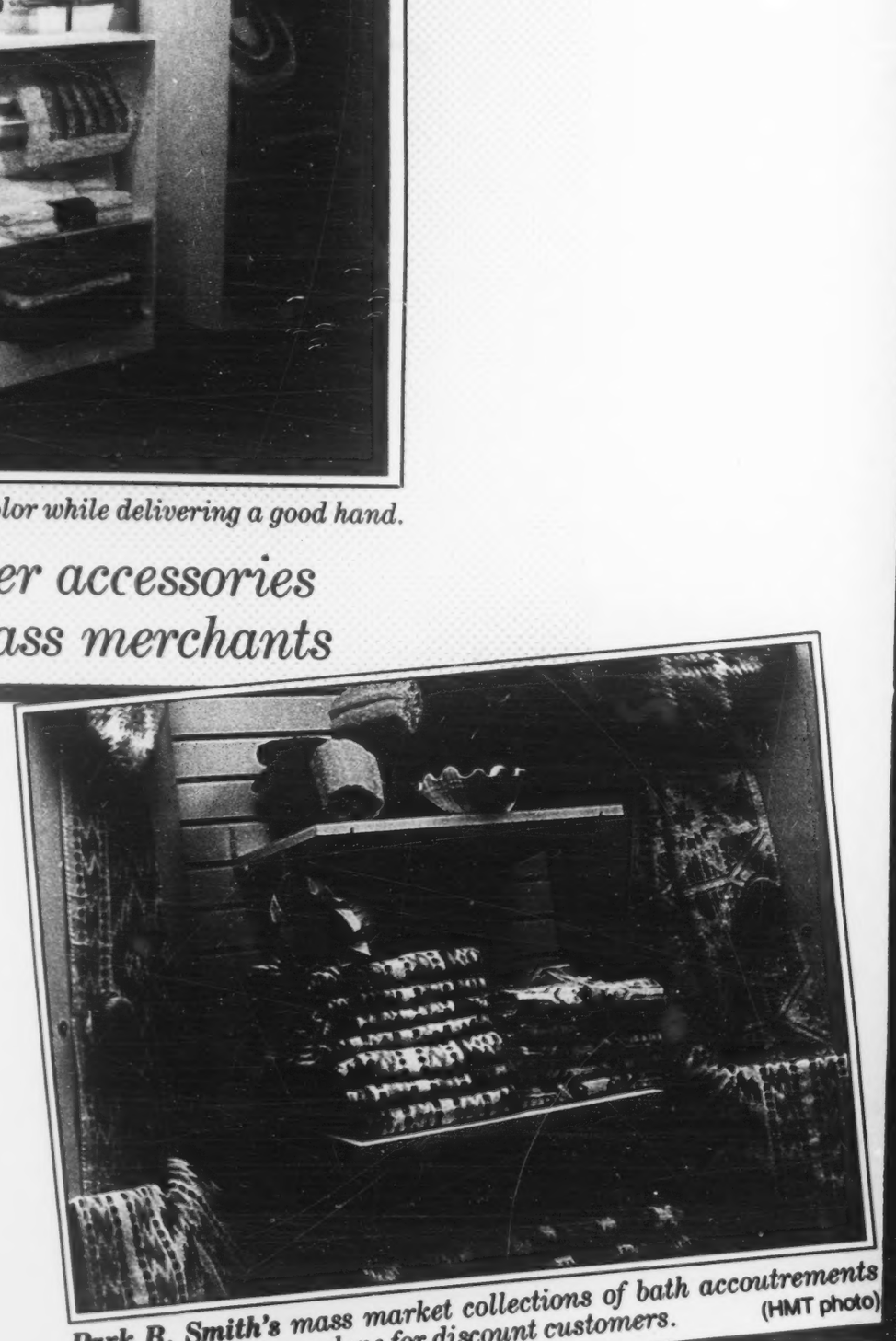
The acquisition comes at a time when the business is experiencing sales growth, but plagued with flat unit increases. Vendors are fighting to grow their business by grabbing larger market share.

The key to survival, vendors report, is to differentiate themselves from the rest of the pack. For some, such as industry leader Aladdin, that's meant offering customized retail programs and more intense efforts to offer the latest materials. Suppliers, such as Georgia Tufted Sales, Inc., have also implemented sophisticated systems to handle Electronic Data Interchange.

In the last year, 1005 Antron has revolutionized the business because it offered a cleaner, "better hand" feel that's been embraced by consumers. Other new fiber characteristics such as Hoechst's Dolan, a leader in European products (as seen by displays at the recent Heimtex exhibition), are set to become bigger players in the United States as consumers continue to seek better products.

BATH & SCATTER RUGS — 1989
UNIT SALES BY RETAIL OUTLET





***Park B. Smith's** mass market collections of bath accoutrements push the fashion envelope for discount customers.* (HMT photo)

Dolan, a 100% acrylic fiber, has a clean surface and lends itself to vibrant colors. There are also Dolan/Trevira blends. Hoechst has also kicked off a three-year limited warranty for its Trevira stain-resistant polyester. Fieldcrest Cannon is the first bath and accent rug to offer styles with Trevira carrying the warranty.

Mazouz Hussein, merchandise manager of domestics for Hills Department Stores, said customers aren't always aware of the type of content such as 1005 Antron. "But they can tell by the look and feel and so far it's been good for us," he said.

Customers also appreciate the quality of tabletop construction and Hills carries a racetrack rug from Maples. Some retailers believe there are some names with consumer recognition. Caldor, for instance, promotes DuPont nylon in its bath rug advertising.

While many of the major suppliers undergo consolidation, retailers are also paring their vendor lists (many only stock two or three lines now) in an effort to give customers more of want they want—color. "Over the last 18 months, we re-did our program to reduce sku's, but go deeper into color," offered Hussein.

Similar tactics are being employed by Kmart, Wal-Mart and Caldor. Instead of offering multiple sku's of shapes and styles, retailers are sending a clear message to shoppers that they can satisfy any color demand. The discount customer, retailers added, is more adventurous when it comes to color today.

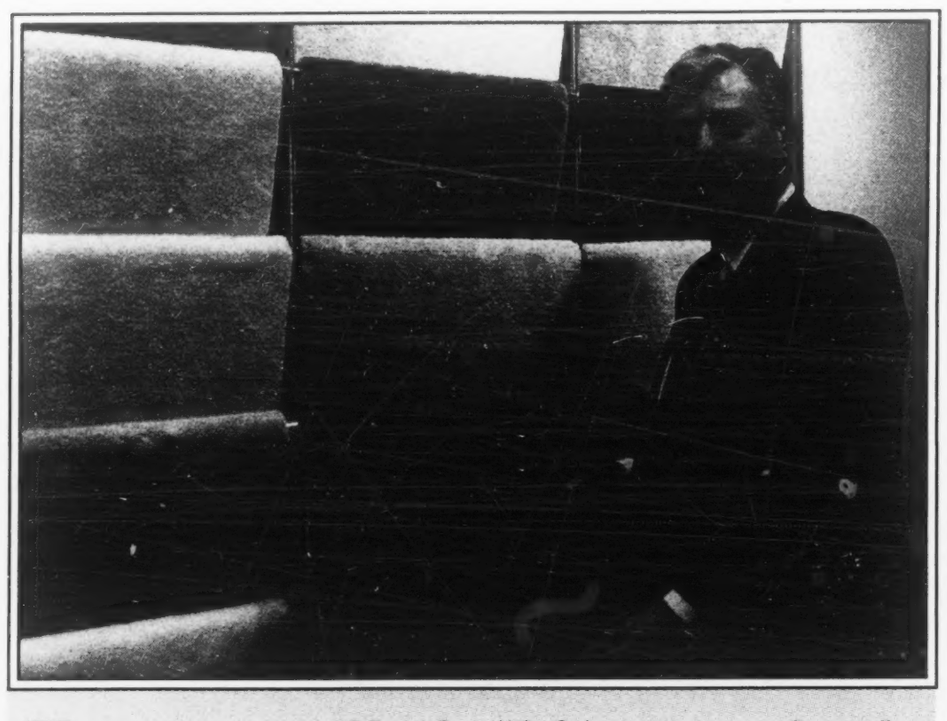
"We're seeing a real surge in green," added Ames' Stuart. Retailers also expect darker jewel tones to replace the lighter colors that have dominated for the past few years. According to Edward McNamee, president Georgia Tufted Sales, color palettes are shifting from pastels to deeper tones. Even black is selling better for bathrooms, he added. Blue and wine, however, remain the fastest movers in the mass market, according to Tom Draves, senior merchandise manager for Jamesway.

Although solid colors represent 80% of the bath rug business, some sources think multi-colored products will play a bigger role in the '90s.

At Maples Industries, John W. Maples III, advertising director, has seen greater interest in multi-dye items. Georgia Tufted's McNamee agreed and reported several of his accounts are adding multi-colored rugs as an option to solids. And, although the majority of the business is in 21-inch by 40-inch oblongs, many sources expect European-inspired shapes such as seashells, round shapes and geometric shapes to start grabbing market share.

However, since color drives the business, discounters have capitalized on color themes by creating customized programs such as Caldor's Color Codes by Aladdin.

Expanded color programs, retailers reported, have helped them lure a new type of customer, a shopper who may have turned to department or specialty stores in the past because they couldn't find the specific hue they needed. Also borrowing a leaf from department stores, mass retailers have coordinated all bath components.



'You can really build your sales by presenting a full solid color program.'

Bob Lieberman, vice president, Aladdin

"We have a program coordinating everything from shower curtain to tissue boxes," said Hussein of Hills.

Jamesway also teams up color for bath. However, Draves points out that many customers prefer darker bath rugs than towels or shower curtains.

Some chains have taken the "shop" concept to the next level. They've created boutique-style endcaps bringing together shower curtains, towels, bath rugs and even accessories. To date, the approach has had mixed results. At Hills, printed selections are placed on the endcaps. "It's a Catch 22," said Hussein, "you want fashion, but you also want the best return."

At Ames, buyer Stuart said one hurdle is executing the endcaps at store level. Another obstacle, suppliers added, is determining whether consumers prefer to buy matching patterns.

"There are two schools of thought," reported American Rug's Joe Barclay, vice president of marketing. "There are those who want everything coordinated and those who prefer contrasting." Added Bob Lieberman, a vice president of Aladdin: "You can really build your sales by presenting a full solid color program." He sees the situation as a dilemma for retailers because the coordinated looks create an upscale and fashion ambience, but solid color presentation of rugs brings in the dollars. Bagged ensembles (rugs, tank covers and lid covers), however, continue to be a winner at the mass market, he added. Five-piece bath sets are priced in the $7.99 to $15.99 range.

From a profit standpoint, one buyer added, it is important to promote cross-merchandising sales.

"We are forced to give towels away, but we can make 50% margins on bath mats. That's why we are emphasizing the coordinated looks."

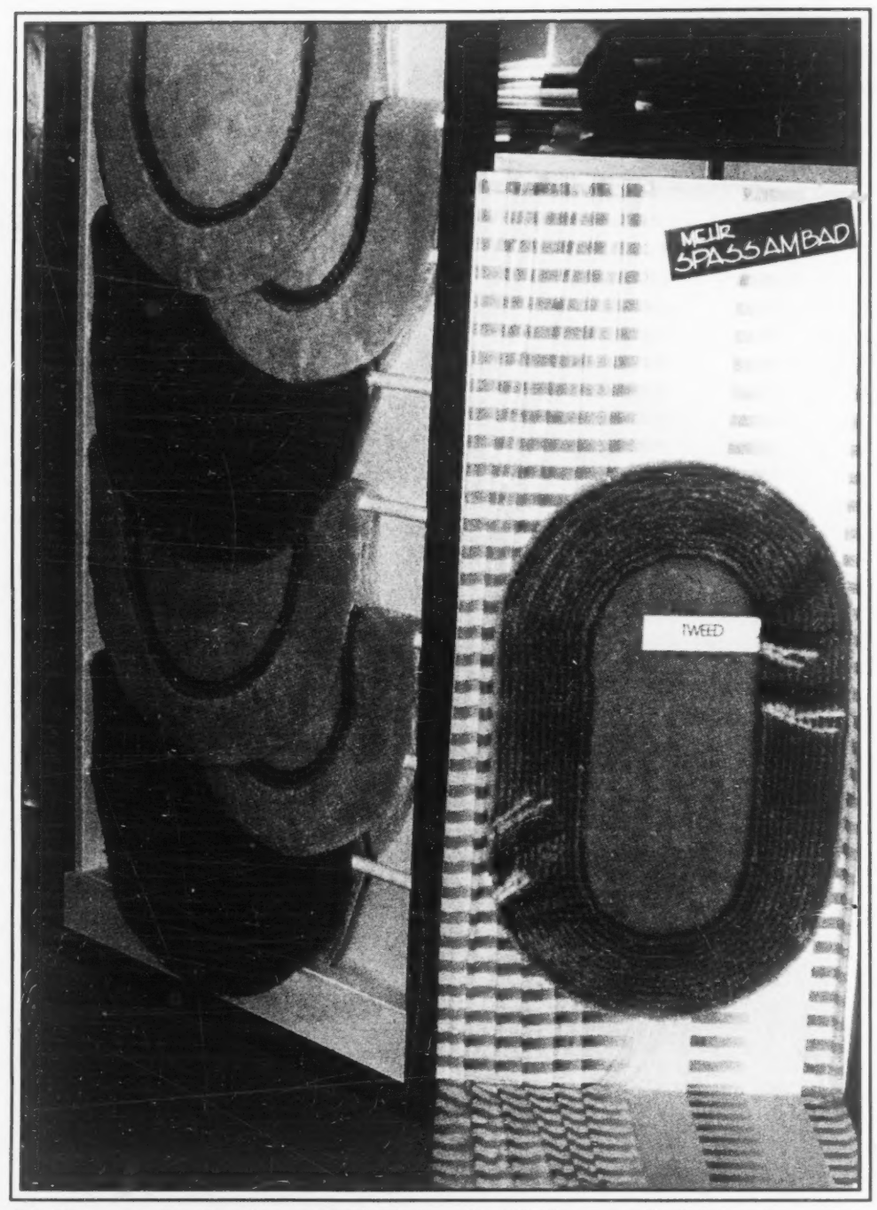
Several chains, however, are enjoying sales as high as $500 per square foot on a coordinated endcaps featuring towels, curtains, placemats and rugs created by Park B. Smith.

"I know placemats grouped with bath items sounds crazy," admitted Park B. Smith Jr., "but it works."

The program was tested at two Kmarts and is being rolled out to at least 80 more units. Kohl's has a Totally Home department with a 10-foot run of Park B. Smith coordinates and Ames is currently instituting the endcap. The supplier provides schematics and photos to ensure the endcap is easily reproduced at store level. Smith admits the decidedly upscale program isn't right for every operator. "We'll never be a basic resource," he chuckled.

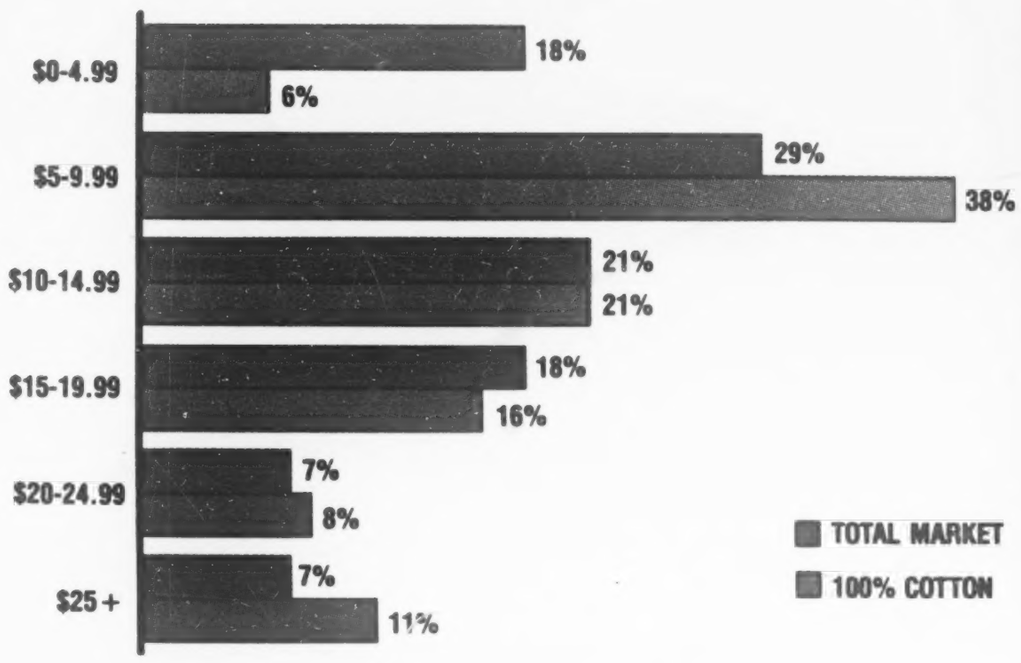
Despite the upgrading, consumers clearly still want value, retailers said. The magic price point in mass retailers remains just under $10. However, the newer products are starting to tempt discounters to add higher-ticket goods to the mix. Bath rugs remains a category driven by promotions. In fact, Caldor, Bradlees and Kmart all ran ads touting bath mats during the first weekend in March. Research from Kurt Salmon Associates reveals sales jump as much as nine percentage points when bath and scatter rugs are featured at a special price.

Concluded Draves at Jamesway, "It's a good way to remind shoppers that redecorating is a good way to give themselves a lift." ■



***Bath rugs featuring** 100% Dolan hold the new bright colors better and were a hit at Heimtex this year.*

BATH & SCATTER RUGS — 1989
UNIT SALES BY PRICE



Source: KSA/NPD

Responding to QuickResponse

Home textiles mills are No. 1 in reaping benefits of QR technology, according to Ernst & Young study

The textile industry, which overall has probably made the strongest commitment to QuickResponse of any business, has begun to reap major benefits from its initial use of this technology and will markedly expand the implementation of QR programs by next year.

That insight is contained in the most recent report on the textile industry's growing deployment of QR technology as the key to becoming more productive and profitable.

The study, Ernst & Young's 1990 Quick Response Survey of the Textile & Apparel Industries, stated that "it is important to note that the pace of implementation of the QR-related programs increases noticeably in the next two years. For textile manufacturers, the implementation level will have increased by 50%-75% in every program in the next two years."

The common belief has been that apparel manufacturers are the leaders in deploying QR. This isn't so, as the study went on to note: "For apparel manufacturers, implementation will proceed at an even faster pace, thereby *closing the gap* with textile manufacturers (italics added)."

Ken Reiss, national director of textile and apparel industry for Ernst & Young, said "this study shows that textile and apparel manufacturers are realizing the importance of sustaining the investments in these technologies even when the industry is experiencing financial difficulty. This is important because when business picks up again, so will the demand for distribution efficiency."

Textile manufacturers' commitment to QR reflect their heightened understanding of the uses and benefits of this technology. The study noted that 47% of the textile vendors had a high level of QR knowledge, while 34% had a moderate knowledge level. Only 19% were listed as having low understanding.

This extensive industry knowledge has resulted in slightly more textile manufacturers in the 1990 survey than in the 1988 study noting that QR will provide at least moderate benefits to their company. However, textile vendors expected the home fashion field overall to benefit from QR more than their own company.

The study noted that respondents see retailers as achieving the greatest benefit, then textile manufacturers and finally fiber producers. "It is interesting to note that 1990 survey respondents are more optimistic that every level in the manufacturering/distribution chain will achieve significant gains from implementation of QuickResponse strategies," the study stated.

Despite the growing industry-wide understanding about QR, the study also noted that textile executives felt their own company's commitment to this technology was much higher than the industry's overall support.

The study tracked textile vendors' current and future implementation of 11 different QR-related programs and found the following:

Over half those surveyed have already implemented quality management and cost management efforts, while just under half have done the same for planning/forecasting programs. Over 80% expected to have each of these three endeavors implemented within three to five years.

Product marketing (bar coding) has been implemented by just under 40% of those surveyed and three-quarters plan to have such programs running within three to five years.

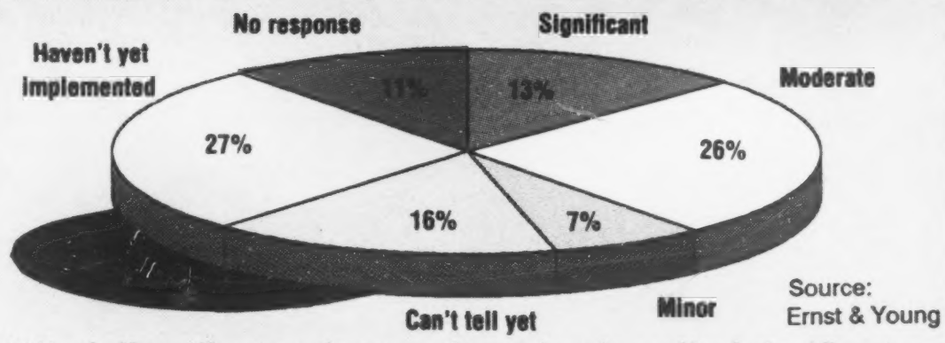
Anywhere from a quarter to almost 30% have started five other programs: flexible manufacturing/JIT, EDI with customers, shipping container marking, pilot program and EDI with suppliers. Within the next three to five years, 55% to 65% of the respondents expected to have these endeavors underway.

Trading partnerships with customers and with suppliers, the ultimate QR activities, have been implemented by the fewest number of textile manufacturers—less than a quarter—but almost half of those questioned expected to have such programs running within three to five years.

The current commitment to QR has resulted in 37% of the textile respondents reporting "significant" benefits, 26% noting "moderate" gains and 7% citing "minor" benefits. Another 26% said it was too early to note any benefits, while 27% have implemented this technology and 11% didn't respond to the query.

As for the specific benefits, the study tracked nine strategies. Improved customer relations scored the highest, closely followed by reduced lead time. Then came similar ratings for increased sales, improved quality and lower inventory levels, with the same scores for increase in return on investment and faster product development, and the same ranking for firmer margins and reduced incoming inspections of material. ■

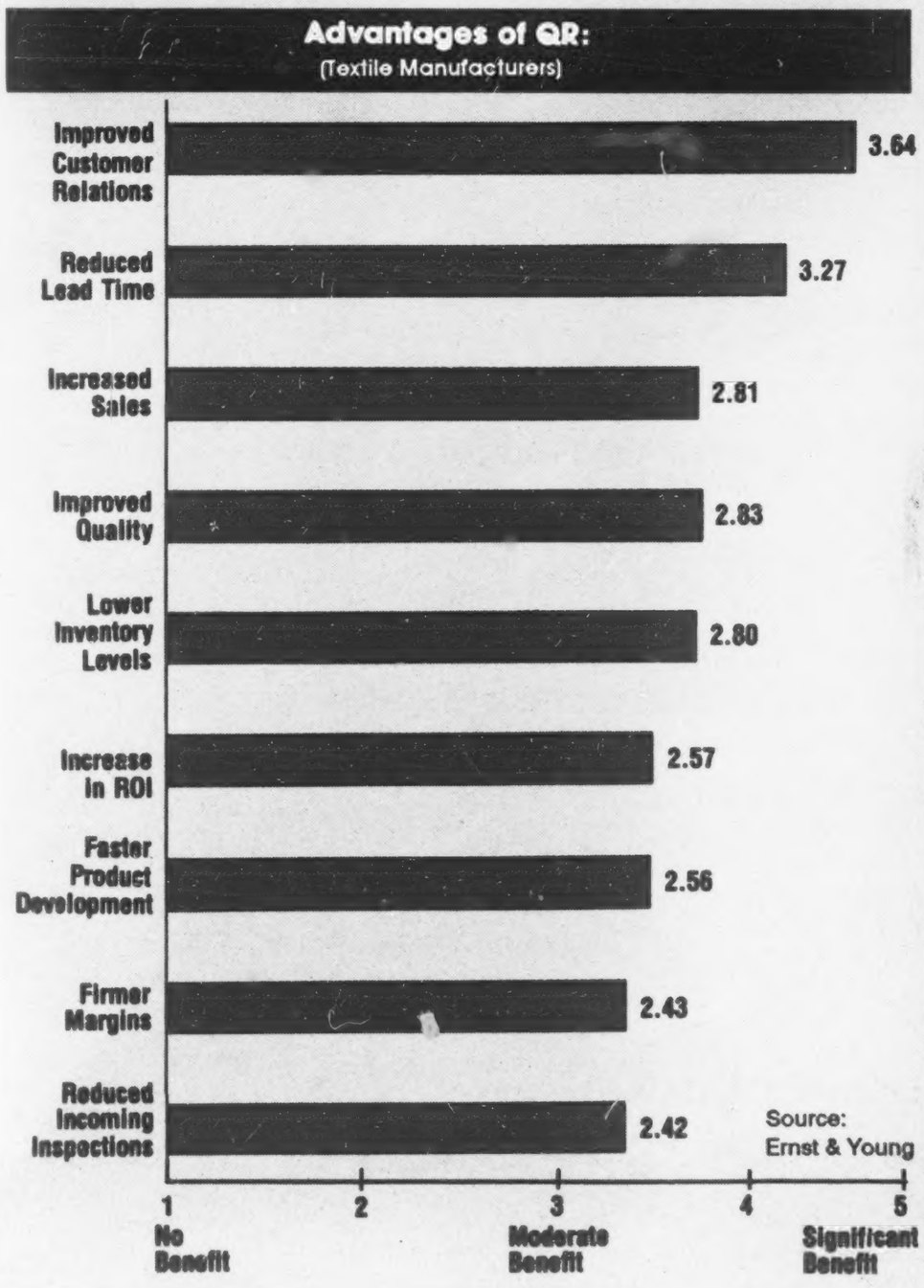
Degree of Benefits Realized
(By 228 Textile Manufacturers)



Source: Ernst & Young

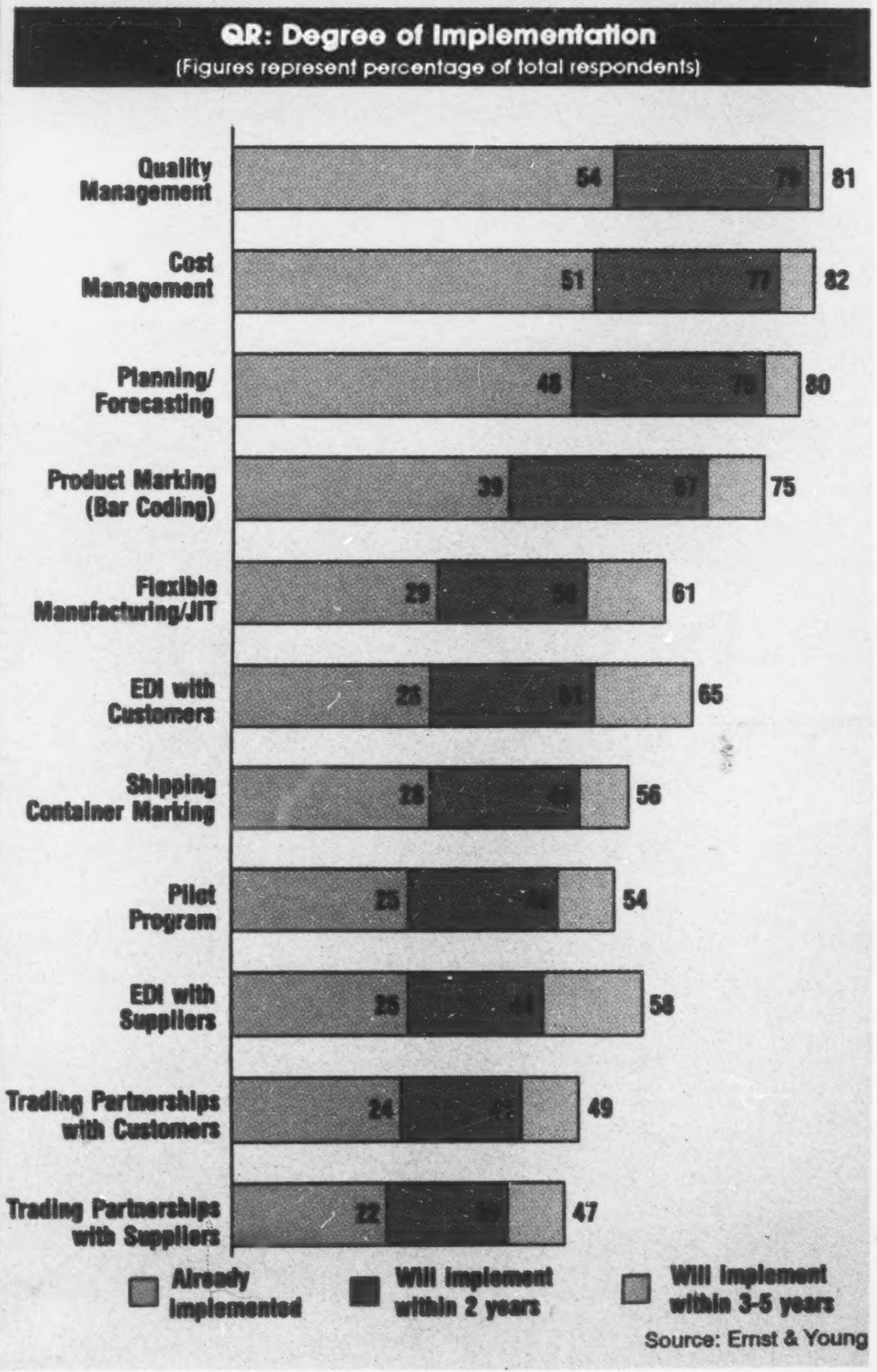
39% of all textile manufacturers have already realized significant or moderate benefit from implementation of Quick Response strategies. Half the respondents cannot make a judgment at this time (16% cannot tell yet and 27% haven't yet implemented QR strategies).

Advantages of QR:
(Textile Manufacturers)



Source: Ernst & Young

QR: Degree of Implementation
(Figures represent percentage of total respondents)



Source: Ernst & Young

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Discount Store News®

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Mega-Changes for Megastores

Mergers, Expansions, Recession Challenge Office Supply Retailers

Nationwide DSN Report

The simmering competition among office supply megastores hit the boiling point last month as companies merged, opened stores, retrenched, invaded new markets and tested the waters for public funds.

These developments shook the world of office supply discounting in late March and early April:

- Staples, the industry's second largest megastore chain, invaded a new market, Baltimore, setting up another duel with the nation's largest office supply chain, Office Depot;
- OfficeMax, an up-and-comer chain partly owned by Kmart Corp., opened its milestone 50th unit;
- Two smaller Western chains, The Office Place and O.P. Club, agreed to merge their 10-store and nine-store operations, respectively.
- Office Products of America, parent of eight-store Office Stop, failed to raise $10 million in new capital, forcing it to hold talks with creditors in an effort to avoid bankruptcy.
- And, in a surprise move, OW Office Warehouse decided to turn to Wall Street to fund an expansion designed to double its size to a total of 46 units.

"The recession has created a state of flux in the marketplace, and we're trying to move fast to take advantage of the situation," said Office Place president Rajeev Seshadri of his chain's merger with O.P. Club.

The Redwood City, Calif.-based Office Place and O.P. Club of Phoenix operate a total of 19 stores, 10 Office Place locations in the San Francisco area and nine O.P. stores in Utah, Arizona and Southern California. Major stockholders of the two companies, which are privately held, will provide additional funding to finance expansion.

"We expect the combination to tremendously strengthen the competitive positions of each company," said Rajeev Seshadri. "This combination should provide many opportunities for growth in the future."

Primarily, the growth will come from not only expanded buying power, expansion capital and economies of scale, but also from "a larger market profile in a psychological sense. Analysts predicted that 1992 or 1993 would be the year of the shakeout in the office industry; it looks like it really happened in late 1990 and early 1991."

The two megastores are, on the face

(Continued on page 62)

- Don't Miss '91 IMRA Convention, See Preview, Page 23 to 29
- DSN Profiles the Dallas Retail Marketplace, Pages 33 to 39

AutoZone Stock Soars; Proceeds from IPO Will Pay Down Debt

MEMPHIS, Tenn. — Seizing on the stock market surge, the investment firm that acquired AutoZone in a 1984 leveraged buyout has taken the company public.

At a whopping $23 a share, compared to a projected $17 to $19, Kohlberg Kravis and Roberts (KKR) has sold a 10% stake in AutoZone through an initial public offering of 3.5 million shares.

AutoZone will use the net pr[illegible] of the $84.8 million st[illegible] down mortga[illegible]t.

[illegible]ority owner, ac[illegible] when it took pr[illegible]'s parent, M[illegible] major gro- ce[illegible]e expected pr[illegible] nine times th[illegible]2 per share th[illegible] anticipation of[illegible]un off Auto- Z[illegible]olders (primarily itself) in 1987.

Neither KKR partners nor AutoZone executives and directors (which hold a 17.4% beneficial interest), including president and chief operating officer Peter Formanek, sold shares. Instead, the 3.25 million shares are newly issued.

AutoZone now operates 553 automotive parts and accessory stores compared to 520 in 1990.

AutoZone stores offer no auto service, but instead stock parts and accessories that appeal to the do-it-yourself customer as well as the part-time, "backyard" mechanic.

AutoZone formerly called itself Auto Shack, but the company changed its name in 1988 in order to settle a lawsuit that Radio Shack brought over the use of the word 'shack.'

Even though the automo-

(Continued on page 70)

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Checkstand Sales A Mixed Blessing — page 13

Customer Comfort Key to Prototypes — page 41

Costco, Tukwila, Wash.: *The 31,000-square-foot home improvement department offers homeowners/contractors a full product assortment.*

Costco Tests Home Center Dept. to Boost Avg. Ticket

By Arthur Markowitz

KIRKLAND, Wash. — Costco Wholesale has begun testing a home improvement department within its massive Southcenter store in the Seattle suburb of Tukwila.

The innovative move came as Costco disclosed the four new stores it will open during its 1991 fiscal year ending Aug. 31. Those openings will raise its count to 73 clubs. It plans to further expand in the Northeast with units in Connecticut, New York (on Long Island) and New Jersey in fiscal 1992.

The wholesale club is maintaining its program of rolling out optical, pharmacy and fresh foods departments in more stores. The fresh food operation, deployed in the greatest number of units, 53 at the end of fiscal 1990, will be in 73 clubs by the end of this fiscal year.

Costco has used the 220,000-square-foot Southcenter to test a number of ventures, including fresh meat, produce, bakery and deli departments. The membership warehouse industry's four other major chains now include those categories in a growing number of stores.

Costco added fresh foods to increase shopper frequency. The home center test is designed to boost average transactions, particularly through sales of big ticket items—pro

(Continued on page 10)

QuickResponse: Quickly Shaping Retail Business

By Don Longo

NASHVILLE — QuickResponse is rapidly changing from a technology-driven system of automatic replenishment to a merchandising concept which requires a change in the way retailers and manufacturers conduct business.

"QuickResponse changes the way retailers do business," said Dave Carlson, senior vice president of corporate information systems, Kmart, at last month's QuickResponse '91 conference here. "Retailers need to send suppliers detailed sales history. Sharing your sales data may contradict your instincts, but suppliers need that information if we are to achieve the goal of QuickResponse."

Carlson, along with Wal-Mart senior vice president for MIS Bob Martin and Target vice president of merchandise planning and control Paul Singer, was among a host of discount chain executives to attend the gathering co-sponsored by AIM USA and VICS (Voluntary Interindustry Communications Standards).

"Getting the customer what she wants, when she

(Continued on page 62)

MARKETWATCH

Kmart 17th DC Opens in Ocala, Fla.

OCALA, Fla. — Kmart has opened its 17th distribution center, a 1.55 million-square-foot facility here, that will supply its stores in Florida and Puerto Rico. Kmart currently has 162 stores in the two markets. The discounter plans to open a similar size DC in Greensboro, N.C., later this year or early in 1992, followed by another DC in Manteno, Ill., next year. All the centers process just hard lines.

Wal-Mart Tests Four Closeout Stores

BENTONVILLE, Ark. — Wal-Mart now is operating four of its test closeout stores called Bud's Warehouse Outlets. The first two 40,000-square-foot units opened last September in Franklin, Tenn., and West Memphis, Ark. Units quickly followed in Talladega, Ala., and Houma, La. Merchandise assortment varies from store-to-store, as do the offerings in Sam's Club units.

Wal-Mart Borrowing Lifted to Swap Debt

BENTONVILLE, Ark. — Wal-Mart boosted the dollar volume of 10-year notes sold April 1 to $750 million from the $500 million originally envisioned. Due April 1, 2001, the notes were favorably priced to yield 8.676%. That was just 60 basis points (hundreds of a percentage point) more than the yield on U.S. Treasury notes of the same maturity. Wal-Mart will use the proceeds to provide working capital and to swap some of its $756 million in short-term debt for long-term debt.

Top Sears Officials Shut Out on Bonuses

CHICAGO — The poor performance of the Sears Merchandising Group has resulted in the company's 12 top officers failing to earn bonuses. Chairman Edward A. Brennan's earnings, absent the bonus, dropped $614,357 to $978,854, making him the second highest paid Sears executive. Highest paid was Philip Purcell, chairman of the subsidiary Dean Witter Financial Services Group, who earned a bonus and received, in total, $1.365 million, according to Sears' proxy statement. The top officers of Sears' other subsidiaries also earned bonuses.

Wal-Mart Launches Private Label Tools

BENTONVILLE, Ark. — Wal-Mart has launched a private label mechanic's hand tool line to compete with Sears' Craftsman. Called Pro-Mark, the foreign-sourced line offers a lifetime guarantee, as does Craftsman, but costs less—half as much for some tools. A few stores, including Wal-Mart's store in Rogers, Ark., have started to carry the line. Carried in larger stores, Pro-Mark replaces a previous Wal-Mart private label, Workman's Choice, a line of cheap imports. Wal-Mart also is going to start carrying Skil power tools, in addition to Black & Decker. Unlike Craftsman, Pro-Mark doesn't include power tools.

Kmart Sets Date for 1st Super Center

MEDINA, Ohio — Kmart will open its first Super Center store here July 25. The 147,000-square-foot grocery and general merchandise store is the chain's first combo store since the opening of its third and last American Fare hypermarket in Jackson, Miss., last summer.

Highland Superstores Closes 9 Stores

PLYMOUTH, Mich. — As Highland Superstores continues its quest for a buyer and/or investor, it has exited the Minneapolis-St. Paul and upstate New York markets. Five of its six Minneapolis store leases have been acquired by a third party; no word on the disposition of the four New York leases. The closings will result in an estimated $9 million to $14 million restructuring charge in the first quarter. The firm also announced that it has reached a deal with its lenders for its $7 million seasonal reduction in borrowings to be paid at a rate of $1 million every two weeks over the 90-day period from March 25 to June 21.

Fabricland, House of Fabrics to Merge

SHERMAN OAKS, Calif. — After years of informal discussions and months of aggressive negotiations, Portland-based Fabricland has signed a deal to merge with its competitor, 602-unit House of Fabrics as part of a stock swap agreement valued at roughly $53 million. The merger is expected to be completed by mid-year. The merged retailer will have annual sales of nearly $500 million. Both chains sell fabric, notions and craft supplies.

ShopKo Taps Kramer Prez; Tyrrell Remains as Chairman

GREEN BAY, Wis. — Dale P. Kramer has been named president and chief operating officer of ShopKo, the 110-store Midwestern discount chain based here. He assumes the position from current president and chief executive officer William J. Tyrrell, who will continue to serve as chairman of the board and advisor to Kramer.

Dale Kramer

William Tyrrell

Kramer, a Purdue graduate, joined ShopKo in 1971 as director of professional services. He then moved his way up the corporate ladder as divisional merchandise manager, vice president/gmm, and executive vp and coo.

Tyrrell also joined the company in 1971, as administrative assistant to then-president James Ruben. A year later, he was named president and chief executive officer, and in 1985 became senior vice president of ShopKo parent Super Valu Stores, the food wholesaler and grocery operator.

"ShopKo has experienced another outstanding year," Tyrrell said while announcing Kramer's appointment. "Our most current fiscal year ended Feb. 23, with record sales and earnings. I am confident that the appointment of Dale Kramer . . . will continue ShopKo's leadership position of growth and prosperity in the retail industry."

(Continued on page 70)

Environment Focus of IMRA Meeting

By Don Longo

NEW ORLEANS — The main topic of concern at last month's International Mass Retail Association's Advertising conference here was one that a speaker described as "a long way removed from advertising and marketing."

Environmental responsibility overshadowed other key issues, such as micromarketing, customer shopping behavior and legal problems as reps of about a dozen mass retail chains met here to discuss common dilemmas.

"We at Wal-Mart want to be responsible to the expectations of our constituency," said Paul Higham, vice president, marketing. "We challenged the people we compete against to be more involved. We will continue to share the processes involved in this. We will not make this an advertising and marketing issue."

Kmart's vice president of sales and marketing, Bill Parker, pointed out that the Troy, Mich.-based discounter has created an environmental mission statement focusing

(Continued on page 70)

DSN Accepts DISC Award Entries

NEW YORK — *Discount Store News* has announced the official "call for entries" for the 1990 DISC (Discounter in Service to the Community) award.

This prestigious annual award was created by *DSN* in 1979 to recognize the many outstanding community service programs undertaken by conscientious retailers.

Last year, Target was honored for its comprehensive and creative community service efforts which included such programs as "Kids for Saving the Earth" and relief for victims of Hurricane Hugo.

Entries must contain the following:

- A statement of 100 words outlining your company's corporate philosophy and strategy for community service.
- Appropriate documentation including all creative pro-

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EDITORIAL

21 Reasons to Attend IMRA's Expo

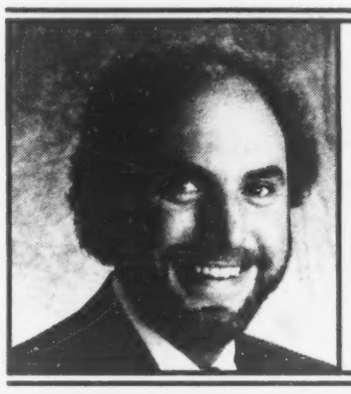
The annual get-together for the nation's discount department stores and specialty retailers sponsored by the International Mass Retail Association is only three weeks away. It is by far the most important event for the largest and most viable segment of the retail industry.

I have previously referred to IMRA's annual bash as "an event that no one would would dare to miss. A rally of sorts; a showing of power, strength and dominance."

I also have described the annual convention as a "time of unity; a time to exchange ideas and seek solutions to common problems."

It's all that and much more!

Next month's convention, which runs May 4 to 7 at the Loews Anatole Hotel in Dallas, has a "new look," according to IMRA, and it certainly is worth a trip. The program (see page 23) has been revamped and the format has been streamlined to make it a more productive and more efficient show, claims IMRA. The theme of this year's convention is "Partnership. We Make it Happen."



TONY LISANTI
Editor

Here are a few reasons (a lucky 21 to be exact) why you should attend:

1. The best way to develop partnerships is face-to-face. Whether you're a retailer or a vendor, if you are serious about developing the partnerships that are required to implement QuickResponse and do business in the 1990s, then IMRA's convention is a must.
2. The opportunity to visit Dallas, one of the most competitive, and most interesting retail markets, nationwide.
3. No, you can't use Mother's Day as an excuse not to go this year, because the convention is the week before.
4. A sports program that includes golf, tennis and a 5K race co-sponsored by IMRA, *DSN*, and Gitano. This is a great way to build friendships and meet the executives you often do business with, but seldom see.
5. The best schedule of seminars in the industry.
6. A chance to visit Wal-Mart's Hypermart USA (again!), but there have been some changes.
7. The Dallas Cowboy cheerleaders—even if it isn't football season.
8. Dr. Henry Kissinger.
9. The merchandise show featuring about 300 exhibitors displaying new products and services in all categories.
10. A special banquet honoring Sam and Helen Walton.
11. A special seminar on QuickResponse, one of the most important business strategies for the 1990s.
12. Comedian Bob Newhart.
13. The exchange of ideas.
14. The opportunity to help develop new ideas and programs that will impact the future of retailing.
15. Dr. Joyce Brothers.
16. A chance to meet the most influential execs in retailing.
17. A session on customer service techniques.
18. Bobby Knight.
19. A chance for your wife to shop the Galleria or Sam's Club or hundreds of other exciting retailers.
20. The *Discount Store News* Show Daily.
21. An educational, enjoyable and memorable weekend.

Remember, you simply cannot measure the success of this convention by the sheer number of attendees. It must be measured by *who* is there, not *how many* are there.

See you in Dallas!

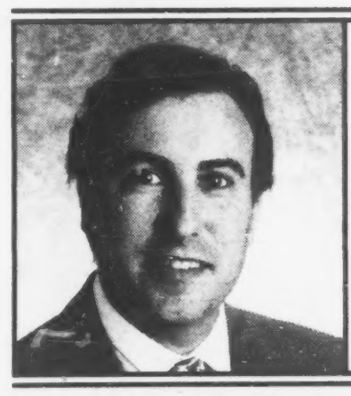
BUYERS & SELLERS

Retailers Try to Pare Down Debt With IPOs

As I write this column in early April, the stock market is on fire. Most of the major indices hit new highs, including the S&P 500 (the most broad based and best composite) and the NASDAQ index (which includes numerous over-the-counter retail stocks).

Many companies are taking advantage of the red-hot market to issue new stock. The whopping success of AutoZone's 3.5 million share IPO is just one sign that investors are back in the market, in a bullish way. AutoZone, a prosperous automotives aftermarket specialty chain, saw its per share price balloon from $23 to $29.38 the day after the IPO. That's after Kohlberg Kravis Roberts & Co., the investment firm that acquired AutoZone in 1984, projected the initial stock price in the $17 to $19 range.

One reason KKR has been able to get such a premium on AutoZone stock is because it is selling new shares which will inject fresh capital in the company. Neither KKR nor AutoZone management is selling any of their holdings in the company.



DON LONGO
Exec Editor

In contrast, Caldor executives, whose first public offering is in registration, and other insiders are selling portions of their stock. Recently *The Wall Street Journal's* Heard on the Street column speculated that Caldor's IPO could be a tough sell because of that and the specter of increasing competition in the Northeast, particularly from Wal-Mart.

At an expected price of $18 per share, I have no idea if the new stock is a good investment. But, I do know that Caldor has become one of the stronger regional chains in the country. There's no doubt that the former division of the May Department Stores Co. has taken market share away from other Northeast chains, capitalizing on the troubles of competitors like Ames (in Chapter 11), Bradlees (a scant 1% sales gain last year) and TSS (liquidated and closed of all its stores on Long Island). In addition, the company has partially pre-empted the invasion of Kmart on Long Island and the expected intrusion of Wal-Mart in the coming months by embarking on a store remodeling campaign.

The new format appears to be working: its new store in Middle Village (Queens), N.Y., is tracking about 25% ahead of original projections of $40 million in annual sales.

And, investors have to be encouraged that the new offering will enable the chain to pay down the awful debt load it incurred as the ransom to buy its freedom from May. That will help enable Caldor to avoid the cash flow squeeze experienced by such regionals as Hills and Stuarts.

Regardless of whether the offering is a success, Caldor's IPO is one of several new offerings by companies looking to pare down the monstrous debt they took on in the '80s. It's another sad legacy of that decade that companies like Caldor must use the cash generated by IPOs to pay bank loans rather than renovate, expand and modernize their chains.

Closing thought: Don't be surprised if Bradlees goes public. KKR took Bradlees' parent Stop 'N Shop private in an LBO in 1989 and it has been cashing in some of its chips recently. In addition to AutoZone, public offerings of KKR LBOs last month include: RJR Nabisco, Duracell and Safeway. Bradlees has had its ups and downs (management changes, inconsistent earnings, store closings), but it would appear a logical move in light of stock market conditions.

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CHECKSTAND

MERCHANDISING

Checkstand Sends Mixed Signal

Good Sales Figures at the Register May Mean Long Lines or No Lines

By Laura Liebeck
Nationwide DSN Report

Terrific checkstand sales may indicate problems of another sort: long, slow moving lines.

Since retailers aim at moving customers quickly and efficiently through the registers, a prosperous checkstand program may be at odds with that goal, according to results of a research study conducted for *DSN* by Leo J. Shapiro & Associates, Chicago.

Customers who stand on line waiting to make their purchase may buy a candy bar, a package of lightbulbs or a magazine, but at what cost to the retailer?

How long is too long in line? Will they come back?

"If the goal of the retailer is to minimize waiting time at the checkout, strong sales performance at the checkout counter is a signal that this goal is probably being compromised [or that business is slow if there is no waiting at the checkout at all]," said George Rosenbaum, vice president of Leo J. Shapiro & Associates.

"Checkout sales are thus inherently a mixed blessing. Too much prosperity at the checkout counter may be a signal of shopper despair . . . or of an acute slowdown in traffic," he added.

The Shapiro survey included interviews with 450 households in February. It found that the incidence for checkstand purchases are highest among customers who don't have to wait in line behind anyone at checkout (12%) and when four people or more are ahead of them (11% making a purchase).

The survey did not include questions concerning customer response to waiting in line nor did it calculate how much time shoppers waited on line.

Nearly all respondents remembered how many people were in line ahead of them.

One out of seven said no one was in line when they arrived at checkout and 23% said there were four or more people in line. On average, two to three people were in line when the respondent was ready to check out.

Overall, one shopper in 12 recalled making a purchase while waiting in line at checkout at a discount store.

Among shoppers with one person ahead of them, 3% made a purchase. Five percent of the shoppers said they purchased something at checkout when two people were ahead of them, and 10% said they made a purchase when three people were on line ahead of them.

Among the nation's top three discount chains, Kmart shoppers were the most likely to make a purchase at checkout (13%), compared to 9% for Wal-Mart customers and 3% for Target customers.

Kmart also had the longest lines, according to survey respondents. A mean of 2.7 people were in line ahead of the survey respondent at Kmart, compared to 2.5 people at Wal-Mart and 2.3 people at Target. This response level included people who said no one was in line ahead of them when they were checking out.

In most cases, women were more likely than men to make a purchase at checkout. The exception to this finding occurred when five and six or more people were in line ahead of the respondent. In these two cases, men were more likely than women to make an unplanned purchase at checkout, according to survey results.

Of the people who said they made a checkstand purchase while waiting to check out, a third said they bought candy, gum or snacks. Another third of the respondents said they bought a wide range of products identified in the survey as "other." These items included light bulbs, flashlights, stereo tapes, *TV Guide*, magnets, playing cards, etc.

Soft goods such as socks, underwear, shirts and sweaters were purchased by a fourth of the shoppers who said they made a checkstand purchase. Another 17% of survey respondents said they purchased personal care items such as razors, toothbrushes and tissues while waiting on line to make their purchases.

Among the individual discounters, candy was identified as the checkstand item purchased most often by Wal-Mart and Target shoppers. Kmart shoppers identified only "other" items in this survey.

All respondents in this survey identified themselves as frequent discount store shoppers, having been in a discount store a mean 2.7 weeks prior to the interview.

Shoppers identified themselves as a mean 41.8 years of age, primarily white (85.1%), having a mean household size of 3.12 people, and with a mean family income of $32,800 a year.

The checkstand dilemma: *No lines mean more checkstand purchases.* (DSN photos)

Items Purchased at Checkout	
Candy, gum, snacks	33%
Soft goods (underwear, shirts, sweaters)	25
Personal Care (razors, toothbrushes, tissues)	17
Other (stereo tapes, light bulbs, flashlights, *TV Guide*, magnets, cards)	33

Base: 8% of discount department store shoppers reporting a purchase at the checkout.

Source: Leo J. Shapiro & Associates, 1991

Candy Offers Quick Payoff

Nationwide Report

At an average price of 45 cents, a candy bar is a cheap urge that a consumer can easily satisfy. And that's exactly what candy manufacturers and retailers bank on.

The point of front-end candy programs is to entice customers into buying their favorite candy bar without a second thought. The payoff to retailers is just as quick: relatively high margins on fast-turning goods.

While the urge for candy is impulsive, the programs are not. All sources agree that front-end merchandising, candy included, is a highly disciplined program. Merchandise is chosen carefully and product movement is monitored closely.

Kmart, Oak Park, Mich. *Candy displays at checkout are gaining new importance.*

"To be successful, candy needs to be attractive to consumers and contain a disciplined program of top performing bars," said Chris Ketterer, national accounts manager for Hershey USA.

Success, added Whitney Hill, trade relations director for M&M/Mars, depends on "access, variety and availability."

Confectionery is a $42 billion business at retail, about one third

(Continued on page 16)

QuickResponse Quickly Shaping Retail Business

(Continued from page 1)
wants it," is the goal of QuickResponse, said Carlson.

In separate sessions at the two-day conference, Singer and Jane Lucas, manager, QuickResponse, discussed Target's implementation of QuickResponse strategies.

Target began working on QuickResponse about three years ago, but no real progress occurred until the fall of 1989 when the upscale discounter created a special QuickResponse team. Twelve pilot vendors were selected to explore how they could work together as partners instead of adversaries. Pilot vendors included 3M, Bassett Walker, Commercial, Hanes, JIK, Kleinert's, Lee, Mirro, Playtex Apparel, Procter & Gamble, Sun Weave Linens, and Wrangler.

Today, almost 100 vendors are involved in QR partnerships with Target. Together, they are achieving, and in many cases exceeding, the goals of 40% reduction in lead time, 30% increase in turnover and 20% increase in sales for each product line in the QR system.

Singer detailed these aspects of QR:

- It eliminates unnecessary costs of doing business for both Target and the vendor. "QuickResponse this year is no good if it means no response next year because they [the supplier] went out of business," said Singer.
- It is the "absolute best way of providing outstanding in-stocks." Target has achieved radical improvements of more than 20% in lead time.
- "QuickResponse is partnerships," said Singer. "We did not want anyone to think this was just some logistics project. Hence, we call our program the QuickResponse Partnership [QRP], with the emphasis on partnership."

To advance the use of QR, the National Retail Federation has joined forces with VICS on a number of new programs.

And, separately, VICS has formed a QR Education Coordinating Council, charged with working with retailer and manufacturer trade associations to implement educational and training programs to support QR. Fifteen groups have become QR ECC members.

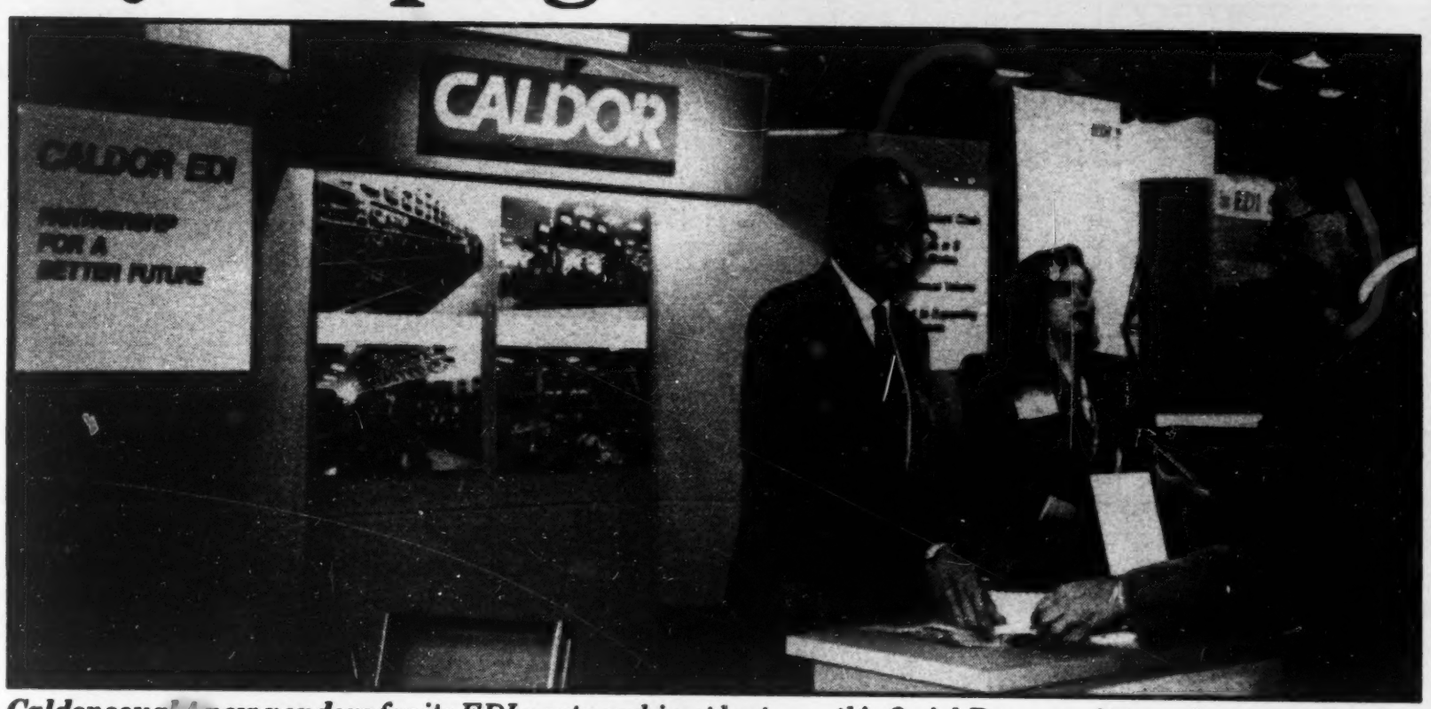
VICS' 17-member Implementation Committee, responsible for promotion of retailers', vendors' and suppliers' use of the broad range of QR technology, set up the QR ECC.

NRF's efforts supporting VICS QR programs include:

- Four one-day QR orientation sessions to be held in New York, May 8 at NRF's headquarters; Dallas, May 29 at the Hyatt Regency Hotel, Dallas-Fort Worth Airport; Chicago, Sept. 28 at a site to be determined, and New York, Nov. 6 at the association's headquarters.
- Distribution of the VICS QR videotape developed by Andersen Consulting and which was first shown last month at QuickResponse 91, the information and trade show sponsored by VICS and AIM (Automatic Identification Manufacturers Inc.).

The tape's first segment features an overview of QR and its technologies, implementations and benefits geared for ceos. "The committee felt there was a void in senior management education," explained Carlson of Kmart, who is also chairman of the VICs implementation committee. The second portion profiles QR case studies at four retailers: Target, Dillard's, Mercantile Stores and KG Men's Shops.

- Creation and distribution of two QR Startup Kits, one for retailers, which is now available, and one for manufacturers, which is being developed.
- Sponsoring a conference for vendors focusing on developing partnerships with retailers, with the date, location and program to be announced.



***Caldor sought new vendors** for its EDI partnership at last month's QuickResponse '91 conference.* (DSN photo)

Mega-Changes for Office Supply Megastores

(Continued from page 1)
of it, very different. O.P. runs larger stores, charges for membership and operates a bare-bones, warehouse-type chain of stores in primarily Sunbelt markets. The Office Place locations are smaller, more upscale and exclusively in Northern California. O.P. is a major computer retailer; The Office Place isn't even in the business, although that will probably change. However, Seshadri said that the similarities far outweigh the differences.

"We share many of the same vendors, have similar operating strategies, carry the same number of sku's, and share similar views on growth," he said. Seshadri typified the proposed merger as "pretty much a done deal. The remaining paperwork is basically a formality."

Baltimore became the latest battleground between the industry's two largest chains April 1 when Staples established a foothold with an 18,200-square-foot unit in Pikesville, to be followed by a second area store, in South Baltimore, April 22.

This fall, Staples is scheduled to open two additional units there, one in North Baltimore and another in Catonsville. When that happens, Staples will have the greatest number of units in the market of the office supply megastores.

Industry leader Office Depot currently has two stores in the Baltimore area and Office Stop has three.

In nearby Washington, D.C., where Staples has 10 units, the specialty retailer last month opened a Staples Express store, the second such unit for the chain and the first for that market.

Staples Express, which debuted in Boston last October, is a 5,200-square-foot store, with 2,800 sku's geared to downtown professional workers such as accountants and lawyers.

One more Express store is expected to open this year, with a wider rollout slated for 1992. Likely sites would be in New York or Philadelphia.

This year, Staples expects to open about 40 stores to finish the year with 124 units. Store expansion in Southern California will be a big contributor to the store total this year.

Staples expects to end 1991 with between 31 and 33 units in California, said Miller, an increase of about 25 units. Ten of those stores are attributed to the recent acquisition of HQ Office Supplies Warehouse, which should be finalized soon.

Currently, Staples has 81 units chain wide. Staples ended the year with 74 stores.

Meanwhile, OfficeMax is shaping up as a chain to be reckoned with in the office supply industry. The Ohio-based retailer celebrated its third anniversary April 1 by opening its 50th store and moving into a new corporate headquarters building.

The chain's 50th store opened in Harrisburg, Pa. Other recent store openings were held in Albany, N.Y., and Davenport, Iowa, both new markets for the chain. OfficeMax will soon open in Pittsburgh and Mechanicsburg, Pa., as well as its fifth store in Minneapolis/St. Paul.

The company's new headquarters, in Beachwood, is in a 40,000-square-foot building, four times larger than the old facility in Solon, Ohio.

The newest store and others slated to open this year now feature more personal computers, a greater selection of electronics, and wider aisles. Color, specifically splashes of yellow and red, have been added to the walls for design effect. White tile floors and a brighter lighting has also been added. Eight stores will be remodeled this year to this format.

OfficeMax expects to have 65 stores by July, 1991, the end of its fiscal year, and be a 100-store chain by January 1992.

Spring and summer store openings are scheduled for Detroit and Kalamazoo, Mich.; York, Pa., and Pittsburgh; Chicago, Rockford, Joliet and Springfield, Ill.; plus various cities in Ohio, New York and Iowa.

OW Office Warehouse became the latest superstore to turn to Wall Street to fund its expansion which, this year, calls for 23 new units to double the chain's size.

The Virginia Beach, Va.-based office supply discounter plans to raise between $18.7 million and $21.7 million by selling 1.5 million shares of common stock at $12.50 to $14.50 a share. Another 300,000 shares will be sold by investors who helped fund the company's launch two years ago.

OW Office Warehouse's expansion this year includes moving into four new states—Alabama, Arkansas, Georgia and Ohio—while beefing up its presence in current markets like Philadelphia, Charlotte and Raleigh, N.C., and the Greater Hampton Road, Va., area. The company's growth will increase its face-to-face competition with such other superstore chains as Office Depot, Staples, Office Max and Office America.

The chain has five units each in Virginia and in the Carolinas, four in Pennsylvania, three each in New York and Tennessee, two in New Jersey and one in Rhode Island.

OW's optimism in seeking public funding comes as San Antonio-based Office Products of America, parent to the eight-store Office Stop chain, is preparing a restructuring plan to present to its creditors.

Thomas Klimback, president and chief executive of Office Stop, said, "Our intention is to do a restructuring of the company with creditors' support outside of" bankruptcy.

The company did not release a date for its meeting with creditors to discuss the reorganization and Klimback could not be reached for comment.

The restructuring announcement was made March 27, after Office Stop failed to raise $10 million in new equity capital, according to a prepared statement.

OPA last raised $7.9 million in August 1989 as part of the company's IPO. The company had been trying to raise additional capital for months to support its aggressive growth program, which originally included opening 14 to 16 stores in 1991.

Klimback said the OPA's failure to raise capital to fund expansion was connected with the Persian Gulf War.

A retail analyst, Chris Vroom with Alex. Brown & Associates, however, said OPA's failure was connected with its strategy of opening one store in a market, except for Baltimore where it has three stores. That strategy, said Vroom, "was not a good one." On a positive note, OPA did obtain a $5 million revolving line of credit from Fremont Financial Corp., Chicago, in December.

OPA was formed in April 1989, had its IPO that August and opened its first store, in Baltimore, in January 1990. The company's eight Office Stop stores are located on the East Coast, including Paramus, N.J., and Westbury, N.Y.

DISCOUNT STORE NEWS

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SECOND CLASS

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New Test Unit Provides Peek at Wal-Mart 2000

By Tony Lisanti

ROGERS, Ark. — Wal-Mart's newest store, which recently replaced store No. 1 here about four miles from Bentonville headquarters, is not just another pretty prototype.

Nor is it just another milestone in the history of Wal-Mart or this small town made famous by Sam Walton.

Nor will the new Bentonville store planned for spring 1992 be just another Wal-Mart.

The fact is that the Rogers store—and the new Bentonville store—represent the beginning of a new era for the world's largest retailer.

The 126,000 square foot Rogers store, now the largest Wal-Mart chainwide (excluding the Hypermarts as well as Supercenters) represents a commitment to new technology that by the year 2000 could dramatically change store operations for Wal-Mart and other discounters.

Furthermore, the new Bentonville store will represent a major commitment to training as it becomes part of a huge retail education complex planned adjacent to headquarters.

***Shopper in Rogers,** Ark. Wal-Mart scans screen of VideOcart while in expanded customer service area.*

The new technology being tested by Wal-Mart in Rogers includes:

- Video shopping carts;
- The Wal-Mart Sound Associates;
- The Wal-Mart Arts Report;
- Electronic shelf-labeling;
- Consumerscan;
- Shoppers' profiles.

Much of this technology is currently being used or tested by various supermarket chains, but is virtually nonexistent at other discount store chains.

The video shopping carts, called VideOcarts, provide information to shoppers about products, prices, specials, advertisements as well as news and trivia games. (See *DSN*, March 18, page 3). The VideOcart, which has an 8-inch by 10-inch screen, also provides department location for about 600 products. About 75 carts at the Rogers store are equipped with a video screen, which are supplied free from the Chicago-based firm.

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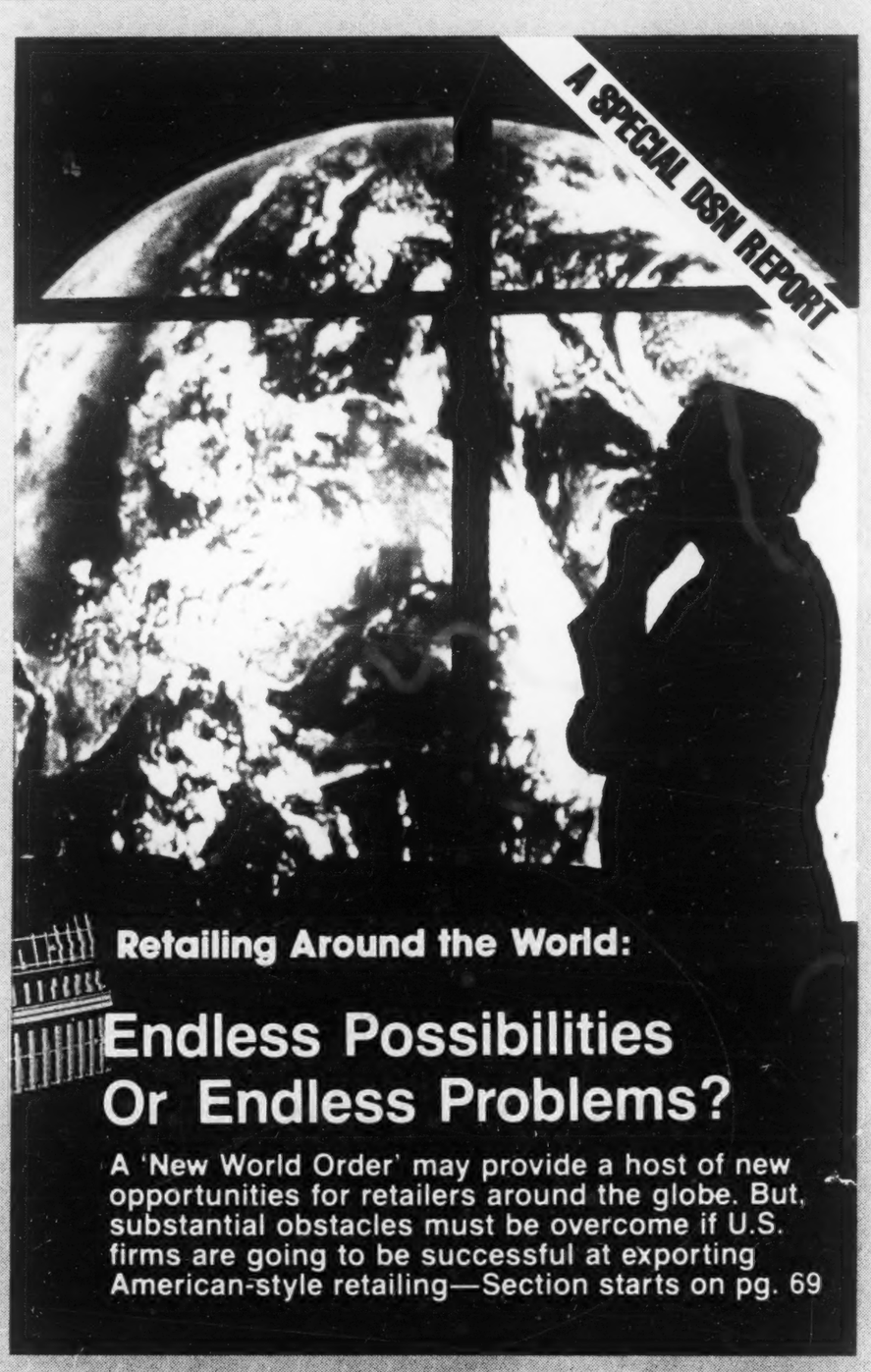

Retailing Around the World:

Endless Possibilities Or Endless Problems?

A 'New World Order' may provide a host of new opportunities for retailers around the globe. But, substantial obstacles must be overcome if U.S. firms are going to be successful at exporting American-style retailing—Section starts on pg. 69

Chap. 11 Discounters Press On

Ames Begins Upward Climb

ROCKY HILL, Conn. — The bad news for Ames: the company lost $793.5 million in the year ended Jan. 26.

The good news: Ames reached operating profitability in the fourth quarter, cut quarterly net losses to $26.7 million from $198.9 million a year ago, and is ahead of its projections for emerging from bankruptcy. Sales for the year were $3.1 billion, down from $4.8 billion a

(Continued on page 123)

Hills Uses Ads To Boost Sales

CANTON, Mass. — Encouraged by sales that are running ahead of plan, Hills is forging ahead with a more aggressive circular advertising program.

A clearer picture of the financial problems that dragged the nation's fifth largest traditional full-line discount store chain into Chapter 11 this year was revealed last month when the chain released its year-end

(Continued on page 123)

ALCO Awaits Loan Approval

ABILENE, Kan. — The future of the 100-unit Duckwall-ALCO chain, based here, hinges on General Electric Capital Corp.'s (GECC) approval of a $42 million revolving loan, according to the discounter's recently filed disclosure statement.

If the Chapter 11 reorganization plan is approved, Kansas Development Fund, (KDF)—a partnership which represents the Kansas Public Employees Retirement System, or KAPERS—would be Duckwall's largest stockholder, owning 59% of stock (before the exercise of GECC's warrant for the purchase of stock equal to 20% ownership.) Currently, KDF owns 18% of H.D. Holding Inc. stock, Duckwall's parent, following a leveraged buyout in 1985.

If completed, the investment by KDF would be the

(Continued on page 123)

Toys 'R' Us Blazes Path For Overseas Discounters

By Laura Liebeck

PARAMUS, N.J. — When it comes to American success stories in foreign markets, Toys "R" Us is a model example.

Already a seasoned international retailer, Toys "R" Us has amassed a network of 97 stores in eight foreign countries. With 1990 sales of $772.9 million, TRU International accounted for about one-sixth the chain's $5.5 billion sales total last year, up from 1% in 1985.

Twenty-five new stores were added to TRU's international roster in 1990, a pace that will quicken in the coming years to between 30 to 35 stores annually. There are even

(Continued on page 130)

International Retailing Drives Woolworth Gains

By Mary Ellen Kelly

NEW YORK — Woolworth Corp., long associated with the local nickle and dime store in small town America, is weaving its stores into the fiber of the global retail market. The shops where U.S. consumers bought lollypops and school supplies as children are still down the street, but they are a much smaller piece of the giant Woolworth scheme.

In fact, in 1990 alone, nearly half of the international retailer's $9.8 billion sales revenues were generated in overseas operations, up from $8.8 billion in 1989.)

Domestic sales (including general merchandise and spe-

(Continued on page 130)

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MARKETWATCH

Caldor Opens 122nd Unit; IPO Launched

TURNERSVILLE, N.J. — Caldor has opened unit No. 20 for New Jersey, pushing total store count to 122. The store is located about three miles from the site of the first Wal-Mart in New Jersey, slated to open in late summer. Caldor logged sales of $1.76 billion in 1990. The Norwalk, Conn.-based discounter also began an initial public offering of 5.15 million shares April 24, priced $21 per share; 3,669,385 of the shares are being offered by the company and 1,480,615 by stockholders. The stock is being traded on the New York Stock Exchange under the symbol CLD. The net proceeds will be used to pay down outstanding debt incurred when Caldor was purchased from the May Company by Odyssey Partners, L.P., a New York-based leveraged buyout firm, two years ago. The public offering represents 30.7% of ownership; Odyssey remains the largest single investor with 35.1%. Caldor management owns 9% of the company.

Venture Sales Blossom in Spring

O'FALLON, Mo. — Venture, Caldor's former sister chain in May Company's discount division, reported a 6.2% same store sales gain for February and March. For the nine weeks ended April 6, sales rose 10.8% overall to $212.8 million from $192 for the first two months of 1990. For March alone, sales rose 11.5% to $131.2 million from $118.1 million. The March sales gains reflect a shift of Easter to March from April 1991.

Goldblatt's Osowski Resigns

CHICAGO — Joe Osowski, president of Goldblatt's, has resigned to pursue other interests and the 11-store chain has appointed Clarence Farrar, vice president of its parent JG Industries, as interim president until it can name a permanent replacement. Goldblatt's serves primarily Chicago's ethnic markets. It plans to open two new units this year to bring unit count up to 13.

Rose's Opens One-Vendor Apparel Shops

HENDERSON, N.C. — Rose's Stores has set up an in-store shop featuring Lightning Bolt apparel and accessories in its 235 stores. The shop is designed as a spring promotion that will last at least four months and coincide with sales promotions. It incorporates Lightning Bolt apparel from the boys', young men's and men's categories into one area. The shop has a back wall display featuring large posters and signage. Depending on the size of the store, varying numbers of rounders and waterfall fixtures are used to merchandise the products. The initial results of the shop were above those expected for men's wear, though it has not done as well in boys', according to Lou Vargochik, dmm, children's wear.

Hi/LO Goes Public to Pay Down Debt

HOUSTON — Automotives aftermarket chain Hi/LO is going public in a bid to pay down leveraged buyout debt. Hi/LO expects to raise about $38.4 million by selling 3.2 million shares at $12 per share in an initial public offering that could take place as early as mid-May. Hi/LO will use the proceeds to pay down debt from both a 1987 LBO and a 1989 acquisition of Fischer's, a 24-unit automotives chain.

Best Products Closing 39 Stores

RICHMOND, Va. — Best Products, in a major cutback of its business, has begun holding liquidation sales in 24 showrooms that it plans to shut by July. The move, along with the immediate closing of 15 Best Jewelry specialty stores, marks the first realignment of the cataloger's operations since its Chapter 11 bankruptcy filing in January. All the stores were unprofitable, Best said, but the amount of the losses weren't available. The showrooms to be closed include all the units in Florida (5), the Kansas City (6), St. Louis (5) and Columbus, Ohio (2) markets and single stores in San Francisco, Dallas, Philadelphia, Seattle, Lansing, Mich., and East Brunswick, N.J. Best will continue to operate 171 showrooms in 24 states and 18 Best Jewelry units.

US Merchandise Bows 2 Showrooms

CLEVELAND — Cataloger US Merchandise will open two showrooms in September to boost its count to nine units, seven of which are in the Greater Cleveland market. US Merchandise's new Cleveland unit is a 25,000-square-foot showroom being built in the Rocky River section. The other store is a former 30,000-square-foot Jewelmart showroom in Cuyahoga Falls. That Greater Akron market store had been part of the David Weis chain.

IMRA Fighting Protectionism

By Gwen Driscoll

Discount industry leaders are turning up the heat on federal lawmakers for relief from crippling trade restrictions on foreign-made apparel, consumer electronics, toys and other products.

Specifically, industry groups are focusing on strict U.S. restrictions on foreign textiles, the U.S. "fast track" trade negotiation authority, China's "Most Favored Nation" status, and the proliferation of near-impenetrable barriers to U.S. discounters abroad.

The textile area, according to the International Mass Retail Association, is first and foremost on the lobbying hit list. Eager to phase out the Multi-Fiber Arrangement (MFA)—the special trade protection afforded imports of textiles and apparel—IMRA vice president of Government Relations Robert J. Verdisco recently called on U.S. Trade Representative, Ambassador Carla Hills, to press for "liberalization" of international trade.

Specifically, Verdisco cautioned the Bush administration against any continuation of MFA after the year 2001.

"The consequence of such a postponement . . . will be the unnecessary continuation of higher prices for the clothes [consumers] buy at discount stores across the country," he wrote Hills.

Verdisco's letter, according to IMRA senior legislative representative Robin Lanier, comes in response to the failure of international trade negotiators to make any headway on the United States' stiff textile importation restrictions. With MFA due to expire this July, Lanier noted, "IMRA wants to make certain that the U.S. doesn't make the MFA more protectionist, or extend the current MFA for a long period of time."

On another front, industry and labor groups opposed to both the phase-out of protective trade barriers such as MFA, as well as the controversial Mexican Free Trade Arrangement (FTA), are attacking the U.S. "fast track" negotiating authority—an obscure provision included in the Omnibus Trade Act of 1988 which allows the President to negotiate trade deals with the promise of expedient approval in Congress.

Both the current round of international trade negotiations, the "Uruguay Round", and FTA hinge on whether the "fast-track" negotiating authority—scheduled to expire June 1—will be extended by President Bush, said Lanier.

"And that's the problem in a nutshell: if the negotiating authority expires June 1, the Uruguay Round negotiations will undoubtedly collapse, and any attempt to negotiate a Mexican or North American free trade trade arrangement will be pre-empted," Lanier added.

The inclusion of Mexico into the U.S.-Canadian free trade arrangement is anticipated to lower tariffs on a wide range of discount products. FTA would also establish "freer investment opportunities" for U.S. discount chains in Mexico, as well as less stringent transportation agreements that would make trucking merchandise across the border (in either direction) much easier and less expensive.

Discounters face stiff tariff increases as a result of yet another international dilemma: the possible revocation of China's Most Favored Nation (MFN) trading status by Congress. According to Lanier, factors—such as China's poor human rights record—threaten to topple this major discount-goods exporter from the list of nations with low-import tariffs.

"If China were to lose its MFN status the tariffs for imports of Chinese goods would go from 5% to 100%," said Lanier, "Of course, we would find other sources of supply, but there would be a tremendous and costly dislocation. One dis-

(Continued on page 123)

***Tony Lisanti** (center), editor of DSN, presented the 1989 DISC Award to Target chairman Bob Ulrich and director of community affairs Susan Anderson. Last year's special luncheon was attended by a group of executives from the Minneapolis-based retailer. DSN is currently accepting entries for the 1990 DISC Award for community service. All full-line discount and specialty discount chains are eligible. For information, call Tony Lisanti at 212-371-9400, ext. 221.* (DSN photo)

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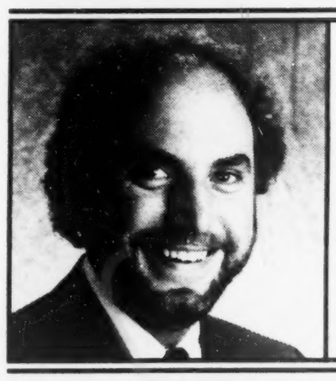
EDITORIAL

Why Toys 'R' Us Will Succeed in Japan

There were about 250 curious, but emotionless faces staring at the podium awaiting the beginning of my 20-minute presentation on Toys "R" Us. The ballroom in the Miyako Hotel was unusually quiet for a full-day seminar that was about to reconvene following a break for lunch.

But, then again, this was Tokyo. The audience was comprised of Japanese retailers, wholesalers and suppliers. The subject dealt with the most debated topics in Japan's retail industry. And Japanese audiences—so I was told—tend to be subdued, but very attentive.

I thought about telling a joke to relax the audience, but I figured this would be a tough crowd even for a comedian. Instead, I concentrated on pronouncing correctly the name of the seminar's moderator—Mr. Tomatsu Matsuhashi, executive editor of *Chain Store Age*/Japan Inc.—and quickly began my presentation about Toys "R" Us. (Diamond-Friedman Co. publishes *Chain Store Age* and other retail magazines and is the Japanese publishing partner of Lebhar-Friedman, Inc., parent company of *Discount Store News*.)



TONY LISANTI
Editor

"Toys "R" Us will succeed in Japan," I predicted to the sellout crowd for the one-day seminar on U.S. retailing co-sponsored by *DSN*. I cited the following:

- TRU's affiliation with McDonald's will help the chain overcome potential problems and pitfalls of distribution and product availability particularly diapers and food-related basics.
- The possible location of a McDonald's restaurant at TRU sites will further enhance the potential of boosting traffic as well as joint promotions and advertising.
- Like McDonald's, TRU is successful at marketing to children as well as adults, creating a family attraction and experience, and in other words, a destination store.
- The location of Encho home centers adjacent to TRUs will create a home and leisure power center, generate additional traffic and possibly further simplify distribution.
- TRU has experienced tremendous acceptance and success in many other international markets.
- TRU's large volume and strong relationship with Nintendo will be an even greater strength in Japan where Nintendo has even more widespread popularity than in the United States.
- The Japanese consumer demands many of the same products as the American consumer, despite arguments by some skeptics that the Japanese have very different tastes.
- TRU will alter its product mix just enough to satisfy the special needs of Japan as it has done in other markets.
- Many Japanese retailers—except small mom and pop stores—welcome the challenge of TRU and believe TRU will generate more traffic to their stores.

During a panel discussion, Mr. Morita, president of Daikuma, the 14-store discount division of Ito Yokado (see page 81), said "TRU will have a tough time in Japan." Morita cited a declining birth rate and stiff competition, and questioned TRU's ability to maintain high in-stocks.

I disagreed pointing out that TRU's concept is not merely a toy store, but a family entertainment center. TRU's product line includes sporting goods and leisure products which several Japanese retail execs admitted were key growth categories for the 1990s.

It was also said that TRU will not be able to merchandise bicycles like they do in the United States because Japanese retailers have a greater selection as well as service specialists. But TRU simply has to expand the department and train its sales staff and service specialists to Japanese standards.

I also rolled the dice and polled the audience. "How many here would shop in TRU; how many of you think TRU will succeed in Japan?" I asked.

The response was unanimous. The emotionless expressions staring at the podium turned into nods of agreement.

Toys "R" Us will be the "textbook case" that will open the doors of Japan to U.S. retailers in the 1990s. The first store is scheduled to open in October.

The world of retailing will be watching . . . and following.

BUYERS & SELLERS

Micromarketing to Deliver Macro Results

How would you like to be able to send the following letter to one of your customers?

Dear Mr. Smith:

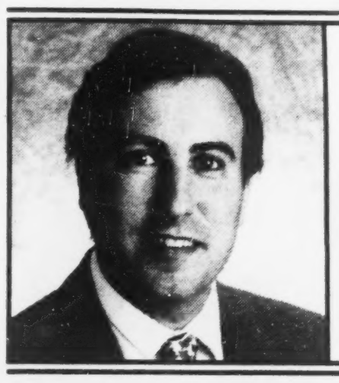
I want to remind you that your wife Marian's birthday is coming up in two weeks on April 5th, and we have the perfect gift for her in stock.

As you know, she loves Escada clothing, and we have an absolutely beautiful new suit available in red, her favorite color, in a 7, her size, priced below typical retail value of $1,500 at $1,250.

If you like, I can gift wrap it at no extra charge and mail it to you next week so that you will have it in plenty of time for her birthday, or, if you would like, I can put it aside so that you can come in to pick it up. Please feel free to give me a call within the next 48 hours to let me know which you'd prefer.

In any event, I appreciate your business and hope to hear from you soon.

Sincerely yours,
Samantha Greene, manager,
YCS Department Stores



DON LONGO
Exec Editor

The day when a retailer will be able to send such a letter to its customers is not that far away, according to Tom Lix, president, Yankelovich Clancy Shulman (U.S.A.). Such micromarketing provides retailers with a way to reach their target customers more efficiently and effectively . . . "with the personal attentiveness, helpful specific information and substantive service that simplifies the shopping process."

Creating the type of detailed database of customer profiles required to produce the letter above is not easy, nor inexpensive. The technology required for micromarketing goes far beyond such common database building techniques as list-based direct mail and geodemographic clustering. The newest systems available today can cross-tabulate demographic, geographic, behavioral, personal and lifestyle data and then develop individual predictive models to bring new customers to your store or to sell more to existing customers.

Obviously, the letter above is an example of the latter reason for employing micromarketing.

"The goal of this one-on-one micromarketing system is to increase the retailer's sales and profits among each selected customer; increase the number of transactions per customer; increase the average size of the transactions; help identify merchandise desired by customers; motivate other members of the customer's household to become loyal customers; and help optimize inventory turnover and eliminate leftover stock," said Lix, in a recent address to marketing executives at IMRA's advertising conference earlier this year.

I believe micromarketing will quickly gain disciples among mass marketers due to massive changes in the makeup and attitude of the consumer population. According to the Yankelovich Monitor, a 20-year tracking of consumer values and attitudes, the consumer of the '90s is seeking substance over style. The retailers who can establish and build relationships with their customers will win in the '90s. You're not going to do that through mass marketing.

Many companies realize this already. Target's specialized marketing toward Hispanic shoppers is just one example of the discounter's niche marketing strategy. And, Kmart's vice president of sales and marketing Bill Parker told me recently that there is no such thing as the "typical" Kmart shopper anymore. Kmart can no longer direct its message solely toward a housewife, between the ages of 18 and 34, with two children and a certain household income. The "typical" Kmart shopper varies widely from product category to product category.

Lix adds this sentiment from a senior marketing executive at Kraft USA: "The mythological homogenous America is gone. We are a mosaic of minorities. All companies will have to do more stratified or tailored or niche marketing."

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Clothing the kids

The apparel business is one based more on want than necessity. If the average consumer bought new clothes only when an item was absolutely needed the ring of the cash register would be quite faint. By definition, fashion infers eventual obsolescence and retailers make it their business to convince customers to keep wardrobes up-to-date.

Merchants strive to also employ the fashion formula to the children's wear business, but in this department their efforts are aided by a simple fact: an ever growing child is often in need of new clothing. Regardless of new trends, or acceptance of new styles, mothers are frequently faced with the task of purchasing new clothing for their children.

According to an exclusive study conducted by the Gallup Organization for *Apparel Merchandising*, many mothers

Discounters are the No. 1 shopping choice for consumers of children's clothing. Department stores finished second, an *AM* Gallup study showed.

are frequent shoppers. Close to half, 48%, of those surveyed say they shop for clothing for their children once a month. Half of those mothers, 25% of all respondents, say they are in the market for children's apparel at least twice each month.

The survey results indicate, however, that mothers are acutely aware of the built in obsolescence of children's wear. Responses to many questions indicate that the price/value equation is very important to these women.

While retailers should not abandon the fashion frontier those interested in garnering a larger share of the children's wear business should pay strict attention to three key components: price, quality and value.

When asked why they usually shop in a particular store for clothing for a child, more than half, 53%, of those surveyed say that they do so because the store offers the "best prices" or "best value." This appears to be the overriding reason behind the buying decision.

Slightly more than a quarter, 27%, say they pick a store because of "good selection" while 15% say that the store offers "quality" or "better quality clothes." Convenience also appears somewhat important; 12% say that "location" or "location convenient to my home or office" is why they choose a particular type of store.

Other factors, including service and a plethora of brand names, often considered instrumental to a store choice, appear not to figure greatly in most mothers' thought process. Only 3% choose a particular type of store because of brand names and a scant 2% say their choice is based on service or sales help.

In support of the role price plays in the buying equation, discount stores emerge as mothers' favored outlet; 39% of those surveyed say that they most often shop for clothing for their children in this type of store. The incidence of discount shopping is even more pronounced in the South where it is the choice of 48% of the respondents. Given the concentration of mass merchants in that region this is not a surprising result.

In the East, where discounters do not currently have a strong presence, only 25% of the mothers questioned say this is where they shop. This factor certainly signals a growth opportunity for mass merchants. Kmart, with the company's recent East Coast expansion, and Wal-Mart with plans to penetrate the Eastern market, appear poised to grab a piece of this business.

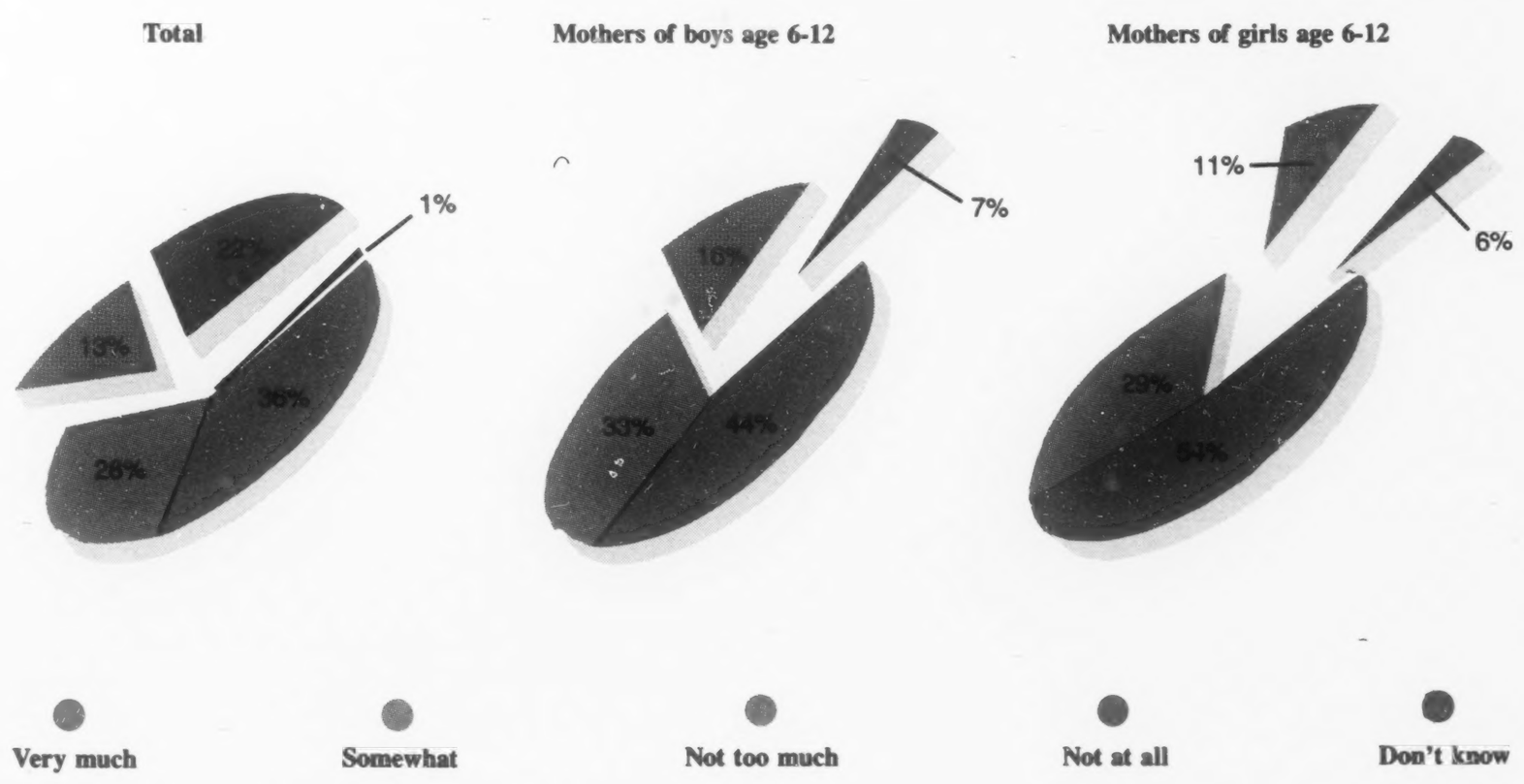
Older mothers register the lowest incidence of shopping at discount stores; 27% of those mothers 36 years or older choose mass merchants compared with 48% of those 30 to 35 years old and 42% of those 18 to 29. This is understandable when one considers that many older mothers delayed child rearing while pursuing careers and as a result have larger disposable incomes than their younger counterparts.

As one might expect, price is the compelling reason that mothers choose discount stores. While 53% of all those surveyed say that they choose a particular type of store because it has the best prices, almost three-quarters, 72%, of the discount shoppers registered that response. Close to a fifth of those who most often shop at discount stores say that they do so because of selection and 13% choose the store because of location.

While they appear to be doing a good job at satisfying Mom's needs, discounters are not the runaway winner in Mom's opinions. A significant percentage, 36%, of those surveyed say that they most often shop for clothing for their child at department stores. Interestingly, 38% of those who most often shop at department stores say that they do so because the store offers the best prices and value. ►

Kids Have Clout . . . especially the older ones

(How much does your child's opinion influence your buying decision?)



Source:The Gallup Organization for *AM*.

Discounters are the outlet of choice, especially of mothers in the south

Where do you most often shop for clothing for your child?	Total	Region East	Midwest	South	West
Discount store	39%	25%	39%	48%	42%
Department store	36	50	33	30	35
Children's store or specialty store	8	13	11	4	7
Off-price/factory outlet	6	5	6	7	7
Sears	6	6	8	4	2
Montgomery Ward	2	—	1	1	—
Catalog/mail order	1	—	1	1	4
Don't know	1	—	—	3	—

Source: The Gallup Organization for *AM*.

The price/value equation is what lures them in

Why do you usually shop in a particular type of store for your child's clothing?	Total	Age of Mothers 18-29	30-35	36+
Price/best price/best value	53%	50%	65%	43%
Good selection	27	29	18	32
Quality/better quality	15	14	14	16
Convenient location	12	12	15	10
Have charge card there	5	6	2	6
Like to shop there	4	2	4	8
Best sizes/fit	4	2	5	6
Easy to shop	3	3	5	3
Brands/name brands	3	2	4	4
Habit/always go there	3	7	—	3
Service/sales help	2	2	2	1
Have catalog	1	—	1	3
Other	2	1	2	2
Don't know	1	1	—	2

Source:The Gallup Organization for *AM*. Percentages add to more than 100% due to multiple answers.

Yet, almost as many, 36%, choose this type of outlet because it offers good selection. Quality and location, the reason of 17% and 15%, respectively, are more important to the department store shopper than to those who most often choose other types of stores.

While the survey indicates that price is far and away the dominant factor in the children's wear buying decision, the children's wear business is not merely a protracted price battle. Retailers strive to differentiate themselves in many ways including selection, presentation and brand name offerings.

Assessing the strength of brand names seems to be one of the most difficult tasks before a children's wear merchant. When asked how frequently they purchase brand name apparel for their children, the majority of mothers surveyed, 43%, responded with an ambivalent sometimes. Brands do, however, seem to be a lure. More than three-quarters, 77%, always, usually or sometimes purchase branded apparel.

According to the Gallup study, most mothers equate brands with quality; 37% of those who always, usually or sometimes buy brands do so because it is better quality merchandise; 17% do so because brands offer good value for the money; and 16% say that branded items are "more durable" and "last longer."

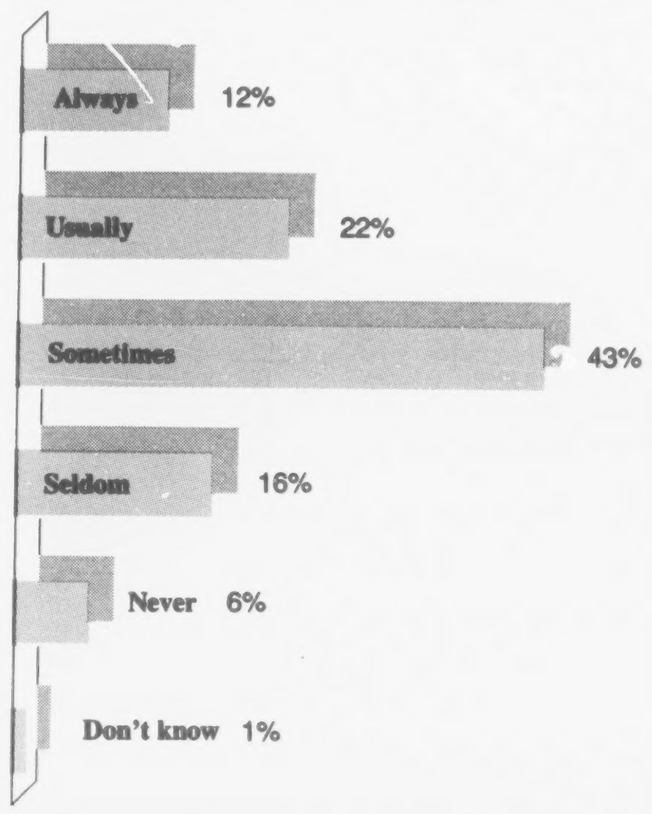
Of the 22% who never or seldom buy brands, 52% say it is because "prices are too high," 18% claim that "no-name brands" are just as good quality as name brands.

Despite the fact that many mothers are frequent shoppers, many still purchase their children's clothing during the traditional occasion periods like back-to-school-Christmas and Easter. According to the study, on average, 30% of the total amount of money spent of children's clothing goes to special occasion items. The aggressive retailer has the opportunity for additional sales by creating more special "must-buy" occasions for children's wear. ◢

Women purchase apparel for their children on a frequent basis. Nearly a quarter, 23%, say they shop for kids' clothing once a month.

Most Mothers Look For Brands

(When you shop for your child how frequently do you buy brand name items)



Source: The Gallup Organization for *AM*.

Younger mothers shop most often

How often do you shop for clothing for your child?	Total	Age of mothers 18-29	30-35	36+
Once a week or more often	7%	11%	4%	5%
Two or three times a month	18	31	12	11
Once a month	23	23	22	25
Every couple of months	33	33	38	38
Twice a year	13	8	16	16
Once a year	2	1	3	1
Less often than once a year	—	1	—	—
Only when needed	2	1	2	3
Only for special occasions	1	1	1	—
Don't know	1	—	2	1

Source:The Gallup Organization for *AM*

On average, mothers spent 30% on special occasion items

What percent of the total spent on clothes for your child goes to special occasion outfits?	Total	Mothers of boys	Mothers of girls
None	3%	3%	3%
1 percent-to-10 percent	19	18	20
11 percent-to-19 percent	3	3	3
20 percent-to-29 percent	15	18	13
30 percent-to-39 percent	8	7	8
40 percent-to-49 percent	4	3	4
50 percent-to-59 percent	15	16	15
60 percent-to-69 percent	2	2	2
70 percent-to-79 percent	8	8	7
80 percent-to-89 percent	4	5	2
90 percent-to-99 percent	3	3	2
100 percent	1	—	1
Don't know	17	14	19

Source: The Gallup Organization for *AM*.

ENDLESS POSSIBILITIES ENDLESS PROBLEMS

Status Quo in Western Europe

Despite the Continent's Impending Economic Unity in 1992 Retailers See Few Immediate Opportunities in 'New Europe'

***The Arc de Triomphe** in Paris symbolizes the united European market coming in 1992.* (DSN photos)

Michael Wahl

Peter Monash

By Arthur Markowitz

The buzzword in European retailing is 1992.

That's when Western Europe—possibly joined by Eastern Europe—is due to unite into a single economic market.

But chances for most United States retailers to expand their business across the Atlantic will not increase next year—and merchants in the new Europe aren't likely to rush to the United States either.

The core bottom line factor limiting outside merchants from entering either the European or American retailing scene is that both areas are highly developed markets, already home to numerous multistore chains as well as local, privately held companies.

Added to this are the socioeconomic, cultural and marketing factors, like labor laws, that have sharply limited cross-Atlantic retailing ventures in the past and will not be significantly changed when the European Community's 1992 Single Internal Market program—the official name for the united Europe scheme—takes effect.

Niche retailing—unique merchandising formats that are transferable like Toys "R" Us, Foot Locker and the Gap exported to Europe and Benetton, Tie Rack and the Body Shop sent to the United States—will continue to have a brighter future for trans-Atlantic marketing than mass merchants like conventional department stores and full-line discounters.

But the biggest merchandising impact will likely be felt by U.S. manufacturers, who will now have an opportunity to more readily sell to the united Europe. The 12 nations that comprise the European Community (EC) have 326 million-plus consumers, 50% more shoppers than the United States, and they purchase over $4.5 trillion worth of goods and services.

United Europe's potential market is even greater when the countries outside of the EC are added in. These groups include the six Western European nations banded together in the European Free Trade Association (EFTA), the seven Eastern European countries making up the Council for Mutual Economic Assistance (CMEA) and the handful of European states that aren't associated with any economic bloc.

Retailers and manufacturers who plan to exploit the new Europe will have to develop selective strategies keyed to their targeted markets, said Michael Wahl, chairman of the board and chief executive officer of The Howard/Marlboro Group. "1992 will usher in an era of cross-country marketing, but it will succeed only if strategies address country differences as well as the similarities."

Peter E. Monash, president of Peter E. Monash and Associates, one of the leading American consulting firms working with U.S. and European retailers, said successful niche retailers fill specific marketing needs that are either lacking or underexploited in Europe and/or the United States. These merchants tend to be value retailers with sharply defined merchandising focuses. There weren't any mass market toy retailing chains in Europe before Toys "R" Us, he noted.

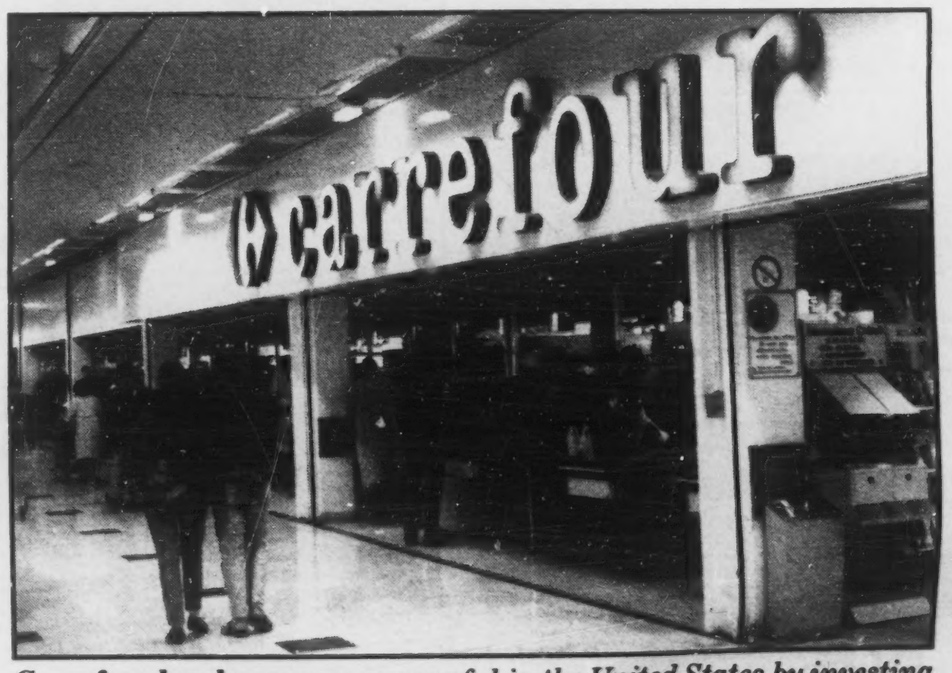
The similar lack of sporting goods megastores is behind Sports Authority's interest in testing a store in Europe, said Jack Smith, president of that Kmart subsidiary.

(Continued on page 100)

WESTERN EUROPE RETAIL SALES GAIN

Country	Percent Growth Retail Sales (1977-1989)
Austria	80.57
Belgium	94.12
Denmark	108.33
France	N/A
Finland	177.50
West Germany	62.58
Greece	907.23
Italy	N/A
Luxembourg	102.94
Netherlands	31.76
Norway	175.00
Portugal	615.12
Sweden	207.29
Switzerland	50.00
Spain	237.21

Source: Euromonitor, London, U.K.



***Carrefour has been** more successful in the United States by investing in chains like Costco Wholesale than by opening hypermarkets.*

ENDLESS POSSIBILITIES

ENDLESS PROBLEMS

NO IMMEDIATE RETAILING OPPORTUNITIES IN WESTERN EUROPE

***Go Sport has** separate stores in Créteil, Paris, each devoted to a specific category.* (DSN photo)

(Continued from page 99)

While 1992 will simplify and harmonize many technical and bureaucratic regulations that have hindered the free flow of merchandise across European borders, a number of socio-economic and political obstacles that directly affect retailing will remain.

Steve Burt, Lecturer in International Retailing, Institute for Retail Studies, University of Stirling in Stirling, Scotland, said U.S. acquisition of European merchants will be hindered by the fact that a larger percentage of retailing is carried out by independents and small, privately-held firms whose owners are carrying on family traditions and aren't interested in selling their businesses.

He added that stock in many publicly-held retailers is owned by groups that aren't interested in selling their shares or, as is the case in Germany and the Netherlands, controlled by financial institutions that support a chain's management.

Euromonitor, a London-based research firm, reported that in 1988 (the most recently available statistics) independent retailers in the EC and EFTA accounted for anywhere from 21% of the sales in Germany, the lowest percentage, to 69% in Belgium, the highest share. But that's not the entire picture: many small retailers belong to voluntary associations and buying groups, and this type of organization accounted for anywhere from 4% of sales in Spain to 83% of volume in Italy.

Chains, most publicly-held, on the other hand, accounted for a low of 17% of the sales in Italy to a high of 72% in the United Kingdom.

(Continued on page 115)

GERMANY[1]
CAPITAL: Bonn
AREA: 137,855 square miles
GOVERNMENT: Federal Republic
POPULATION: 77,563,685 (1989)
LANGUAGE: German
GNP: $1,328.2 billion [U.S.] (1989)
PER CAPITA INCOME: $19,470 [U.S.] (1989)
LARGEST RETAILER: Metro
GNP = Gross National Product 1 = Population for entire nation; GNP, Per Capita Income for West Germany only; East German GNP: $207.2 billion [U.S.] (1988), Per Capita Income: $12,500 [U.S.] (1988) Source: *DSN* research

FRANCE
CAPITAL: Paris
AREA: 210,026 square miles
GOVERNMENT: Republic
POPULATION 56,304,000 (1990)
LANGUAGE: French
GNP: $1,014.0 billion [U.S.] (1989)
PER CAPITA INCOME: $16,800 [U.S.] (1989 est.)
LARGEST RETAILER: Leclerc
GNP = Gross National Product Source: *DSN* research

Switzerland's Migros an Integral Part of the Community

ZURICH, SWITZERLAND — Migros is the most unique retailer in the world.

The approximately $9.6 billion (U.S. 1990) Swiss company, founded as a food store in 1926 and turned into a consumer cooperative 20 years later, is almost a mini-government within the Alpine nation.

The first store sold six basic items—coffee, noodles, rice, shortening, soap and sugar—at a 30% discount. Today, as the largest merchant in Switzerland, Migros accounts for almost 16% of the nation's retail sales.

However, the company is also intimately involved in the country's social, communal and economic affairs. Migros supports activities ranging from testing laboratories and public service foundations to cultural endeavors and facilities for the handicapped and senior citizens. Its charter calls for at least 0.5% of sales to be spent on societal purposes, with the actual expenditure usually exceeding this obligatory amount.

Its sociopolitical concerns denote founder Gottlieb Duttweiler's conviction that businesses have societal obligations—the voluntary assumption of economic, cultural and social duties in everyone's interest. Migros' executives and its cooperative membership view funds spent for such activities as investments.

(In the U.S., Sears in the early part of the century supported a variety of social and economic endeavors, the thrust being to improve the standard of living of Americans so that they could become more financially secure and buy more merchandise from the retailer. The Depression in the '30s saw the federal government launch similar programs. Today, a number of retailers make direct contributions to cultural and charitable organizations.)

Migros spends at least 0.5% of sales on societal purposes

The cooperative idea of members having a voice in deciding company policies could become a factor in any Migros expansion in a changing Europe, either through opening stores outside of Switzerland within the upcoming united Western European community and/or through joint ventures in Eastern Europe.

Migros' membership a decade ago rejected the idea of expanding outside of Switzerland, but the company's top policy making body in 1989 determined that it had the authority to undertake such growth without the need for a cooperative membership vote. It has already approved Migros Cooperative Geneva's explorative moves to open a store in Etrembières, France.

While Migros eyes growth possibilities in the new Europe, it is continuing to strengthen its base in Switzerland. Operationally, Migros is phasing in technology that has already become ubiquitous in the U.S. It plans to spend over 250 million Swiss Francs to equip all its stores with scanners by 1995. Installation of an electronic fund transfer system also began last year.

On the financial side, 1990 saw the company's consolidated revenues increase 9% to 13,682.8 million (Sfr.) from 12,553.1 million (Sfr.) in the previous year. Net income jumped 21% to 256.7 million (Sfr.) from 212.1 million (Sfr.).

The Migros cooperative retailing arm's sales increased 7.6%, almost a 50% increase over the 1989 gain, but the stores' share of total company volume slipped 1.3%.

The 12 Migros Cooperatives—each operating a number of stores in a specific area—had 11,458.9 million (Sfr.) in sales last year against 10,648.7 million (Sfr.) in 1989. That year's volume was a 4.6% increase from 1988's sales of 10,180.5 (Sfr.).

But the cooperatives' percentage share slipped to 83.7% of the parent's total volume from 84.8% as the Hotelplan division of travel agencies, hotels and vacation villages boosted its portion almost 21% to 7.5% from 6.2%. Manufacturing, an oil firm, transportation companies and other endeavors accounted for the remaining 8.8% of total revenues.

Migros accounted for 15.5% of Switzerland's re-

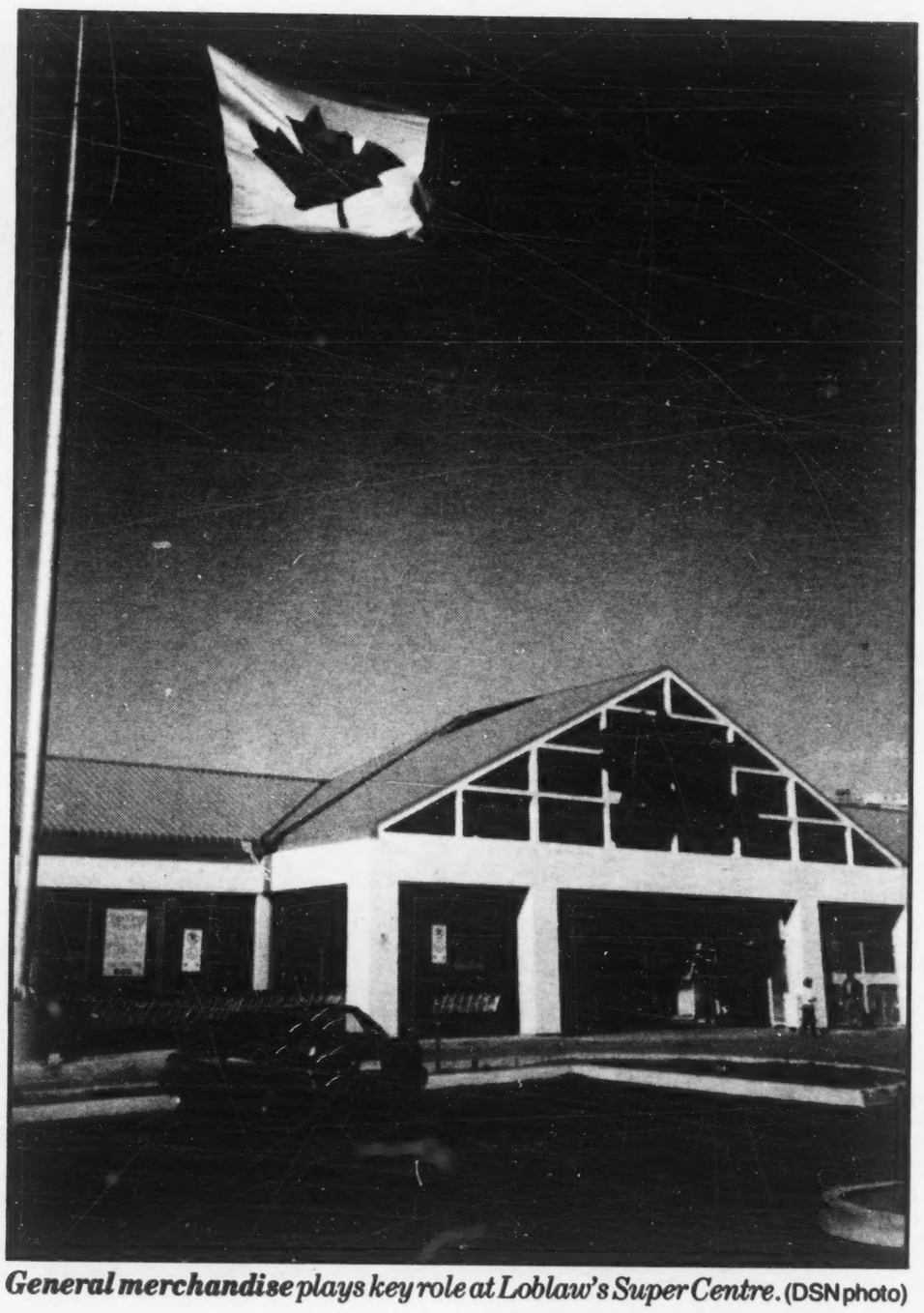
(Continued on page 113)

ENDLESS POSSIBILITIES

ENDLESS PROBLEMS

Northern Exposure

Social Changes, a Sagging Economy, Political Questions and Cross-Border Shopping Complicate Retailing in Canada



***General merchandise** plays key role at Loblaw's Super Centre.* (DSN photo)

By Mary Ellen Kelly

In Canada, promotional department stores are becoming the retail outlet of choice among consumers; mall and shopping center vacancies of between 10% and 15% are driving down retail rental prices; and Canadian consumers prefer U.S. retailing—and prices—and are crossing U.S. borders, at record levels, to shop.

Does all of this make you want to cheer for the Maple Leaf's and open your stores north of the border? Maybe you shouldn't be in such a hurry.

Among the issues that are coming to a boil:

- Quebec's fight for independence from Canada;
- a rash of bankruptcies among specialty store retailers;
- the possibility of a greatly increased minimum wage in at least one of the provinces;
- efforts to control cross-border shopping; and,
- the continued impact of national tax changes.

"The first quarter of this year was the worst decline we've had since the Second World War," said Alasdair McKichan, president of the Canadian Retail Counsel. "Some categories, especially clothing, experienced drops as sharp as 30%. Almost all discretionary spending is down."

Kmart Canada's new president Donald Beaumont explained, "The new tax created a real downward pull; at the same time the recession deepened. It was unfortunate that these things happened at the same time."

Similarly, Paul Walters, president of Zellers, the country's largest discount chain, noted, "The economy is very difficult here, and the introduction of the GST [Goods and Services Tax] hasn't helped . . . But sometimes a downturn can be favorable for aggressive retailers," he added.

Admittedly, lower price stores such as Zellers, Kmart, Canadian Tire and Shopper's Drug Mart are managing solid sales gains, but a sprinkling of the recent bankruptcy filings included promotional chains such as Willy Wonderful, a discount fashion chain.

Other firms that went into receivership within the past six months include specialty stores like Creeds—which McKichan, called one of the best-known upscale fashion retailers in the country—Pascals, a furniture chain; Kettle Creek Fabric Co., which specializes in natural fiber clothing; Senor Angelo, a fashion accessories chain; and Old Firehall Sports. Most of these retailers operate over 50 stores, which is significantly large by Canadian standards.

While economic and political factors like the war in Kuwait impacted retail markets globally over the past few months, cross-border shopping has been a continuing thorn in the side of Canadian retailing. The majority of Canada's population lives close enough to the border to shop in the U.S. and return to Canada within a day.

In 1987, the number of same-day trips to the U.S., as measured at border crossings, were 31 million for the year, said McKichan. Last year, that figure soared to 52 million. For Ontario alone, the rate doubled in the three-year span from 11.7 million to 22.4 million. While a portion of the increase could be attributed to a growth in tourism or international business dealings, McKichan said cross-border shopping is "the only likely explanation for such a rise."

Higher duties on merchandise imported from third world countries, higher tax rates, and an unfavorable exchange rate for Canadian currency makes U.S. stores, most notably discounters, a bargain hunter's dream, especially for apparel purchases, a category affected by each of these factors.

In the case of apparel, implementation of the Goods and Services Tax (GST) at the start of 1991 was a wet blanket to an already smoldering clothing market. The new tax arrangement, which shifted a 13.5% manufacturer tax to a 7% consumer tax, helped some hard lines by allowing manufacturers to cut their prices by roughly the amount of the tax savings (which, incidentally, could have lowered first quarter sales by reducing the price of some goods at the cash register.)

(Continued on page 110)

CANADA
NATION: Canada (10 provinces, 2 territories)
CAPITAL CITY: Ottawa
AREA: 3,558,096 square miles
GOVERNMENT: Confederation with parliamentary democracy
POPULATION: 26,527,000 (1990 est.)
LANGUAGE: English and French (both official)
GNP: $567,773 million [U.S.] (1990)
PER CAPITA INCOME: $19,470 [U.S.] (1989)
(Exchange rate: $1.1513 Canadian = $1 U.S.)
Source: *DSN* research

Cross-border shopping has been a continuing thorn in the side of Canadian retailing.

ENDLESS POSSIBILITIES

ENDLESS PROBLEMS

CROSS-BORDER SHOPPING COMPLICATING CANADIAN RETAILING

Canada's Top "Discount" General Merchandisers	
Chain	**1990 Sales (millions)***
Sears	$3,970
Canadian Tire[1]	2,612
Zellers	1,947
Woolworth[2]	1,904
Kmart	960 million

*U.S. dollars ($1 U.S. = $1.1513 Canadian)
[1]total gross revenues
[2]excludes specialty store sales—includes Woolworth, Robinsons, Woolco and Woolworth Express

Source: *DSN* research

(Continued from page 109)

For apparel, however, no vendor tax had been levied previously, so the 7% tax hike was not accompanied by a reduction in manufacturer pricing. The GST has made U.S. apparel retail prices that much more of a magnet.

Another force that could affect retail pricing—from both a merchandise and labor standpoint—is a proposal to radically increase the minimum wage in the province of Ontario. Unlike in the U.S., each province sets its own minimum wage. While most provinces are close to Ontario's current rate of $5.40 per hour (Canadian), there is a proposal to push minimum wage to $7.50 per hour over the next three years.

While pressure on minimum wage is rising—at least in Ontario—the employment figures are falling. The latest unemployment figures reflect a recessionary economy: unemployment for Canada in March was 11.7%. While big cities like Toronto, Vancouver and Quebec City were below this level by a few points, other areas, even large cities like Montreal, had 14% unemployment levels and higher.

The current economic doom and gloom has not bothered U.S.-based retailers which continue to build more and more stores.

Among the relatively more recent arrivals (most during the past several years) are specialty stores like Toys "R" Us; TJX Cos.' acquisition of Canada's Winners Apparel, Ltd.; The Gap, and club formats such as Price Co., Costco and Staples.

Despite the growing ranks of U.S. retailers, Walters at Zellers said he thinks there are more opportunities for U.S. retailers south of the border than north.

"There are higher real estate and labor costs here compared to the U.S. Retailers should ask themselves if there are more lucrative opportunities to be found in Canada, or to be found in strengthening present operations in the U.S."

Nonetheless, Toys "R" Us clearly decided Canada is a place to grow; during 1990 the company opened 23 new stores, bringing the total number of Toys "R" Us stores in Canada to 32.

The club formats are also mushrooming. Price Co. presently operates 10 clubs, with half of these locations in Quebec. Two of the most recent openings were in British Columbia, which was previously Costco turf. Costco operates three of its eight locations in Vancouver; four others are in the Alberta province and one is in Manitoba.

Zellers Comfortable in Tough Retailing Climate

MONTREAL — Canada might be in the throes of its worst recession since World War II, but 265-unit Zellers—like several other discount stores—is weathering the storm comfortably.

In fact, while successfully digesting its 6 month old Towers Department Stores acquisition—the 46 Towers stores it kept from the 51-unit chain have been fully converted to the Zellers format—Zellers was also cultivating new retail formats.

***Zellers will open** 10 more units by year's end.* (DSN photo)

Four new specialty store formats were opened last year, said Paul Walters, Zellers' president, and other specialty concepts are on the drawing boards. Ten more Zellers stores are slated to be opened by year's end. Long-range plans for Zellers put it at 350 stores by 1995.

The names of the specialty stores are in French because these test units are located in Montreal to make it easier for merchandisers and executives to monitor the performance at these locations.

Litery Etc.—which translates to Linens Etc.—is an 8,000-square-foot strip mall store which, Walters said, is most akin to a linens specialty discounter in the United States. Roughly 80% of the merchandise is soft home goods, stressing moderately priced department store brands at 20% to 40% off department store prices. Other departments are housewares, stationery, artificial flowers and a closet shop.

The specialty format which has already shown the most promise—and has already opened its second location—is Cuisine A Tout (translation: Housewares & More). Despite its compact size, Cuisine A Tout was opened in a regional shopping center.

Le Marchand De Papier, or "The Paper Merchant" is a full service and full line stationery store with an office and home office focus. The test store is 5,000 square feet and is located in a regional shopping center.

Cienna Plus, which would require no translation outside of Quebec, is a large size women's apparel store with a career fashions, accessories and hosiery focus. "The whole special size category is projected to have considerable growth," he said. The optimal store size is between 2,500 to 3,000 square feet.

Limited future growth projections for Canada's retail market means Zeller's growth must come at the expense of other retailers.

Excluding Towers' sales, Zellers' 1990 sales reached $2.24 million, up 8% from 1989. Operating income for 1990 was up 12% to $203 million.

Walters estimates Zellers "owns" 20% of the $14 billion DSS market (department store sales.) While he believes Zellers to presently be third in sales volume behind Sears and Canadian Tire, Walters believes the chain will surpass Canadian Tire and become Canada's second largest general merchandise retailer by the end of 1991.

Donald A. Beaumont

Kmart's Beaumont Sees Opportunities

BRAMPTON, Ontario — Profitability, customer service and marketing the Kmart name are high priorities to new Kmart Canada president and ceo Donald A. Beaumont.

"There are opportunities to reinforce our position in the market," Beaumont told *DSN*. "I am already impressed with the hard work and dedication of the people I work with here at Kmart."

Kmart Canada operates 125 stores with plans to open another unit later this year, said Beaumont, the former Towers Department Stores executive.

"Canada is still in a recession, but we are doing far better than the norm, I believe. I surmise that mass merchandisers are fairing better than other retailers in this economy," he explained.

ENDLESS POSSIBILITIES • ENDLESS PROBLEMS

Switzerland's Migros a Retailer Meeting 'Societal Obligations'

(Continued from page 100)
tailer sales in 1989, (the most recent available figures), up 1.3% from 15.3% in 1988. In 1989, Migros' share of food sales was 22%, its general merchandise portion was 9.3%. In 1988, the figures were food, 21.5%, and non-food, 9.2%.

Like most European countries, Switzerland limits the periods in which retailers can run nationwide sales. In 1989, these specials accounted for 7.1% of food sales and 10% of general merchandise volume.

Migros' gain in retailer sales come on only a 1.3% net increase in stores to 541 units in 1990 from 534. Migros' 1989 count was also a seven store increase.

The cooperative runs a mix of units. The categories and count last year were: Migros Centers, offering a full range of food and non-food items, 35; Migros Markets, supermarkets with reduced non-food assortment, 176; M Stores, supermarkets with some non-food items, 192; and S Stores, neighborhood food stores, 101. There are also 37 specialty stores, 26 home centers, eight appliance and electronic units, two freestanding restaurants and one flower shop.

The company's total assortment includes about 29,000 sku's, around 5,000 food products and approximately 24,000 general merchandise items.

Migros Markets accounted for 43.5% of the cooperative's sales; the Migros Centers, 30.7%; M Stores, 14.3%; S Stores 2.9%; and specialty units 8.6%

Migros also serves small communities beyond the reach of traditional stores with a fleet of 91 Stores-on-Wheels that carry a basic assortment of food staples.

Serving small and isolated communities is part of Migros societal responsibilities. It spent just under 1% of sales in 1989 on its mini-governmental activities, which included language centers, an institute that holds conferences on Swiss political and economic issues, sponsorship of theater and musical group tours, scholarship and financial stipends to mountain schools and schools in poorer areas and laboratories that develop standards for food and non-food products, investigate health and safety problems and design environmental friendly products and packaging.

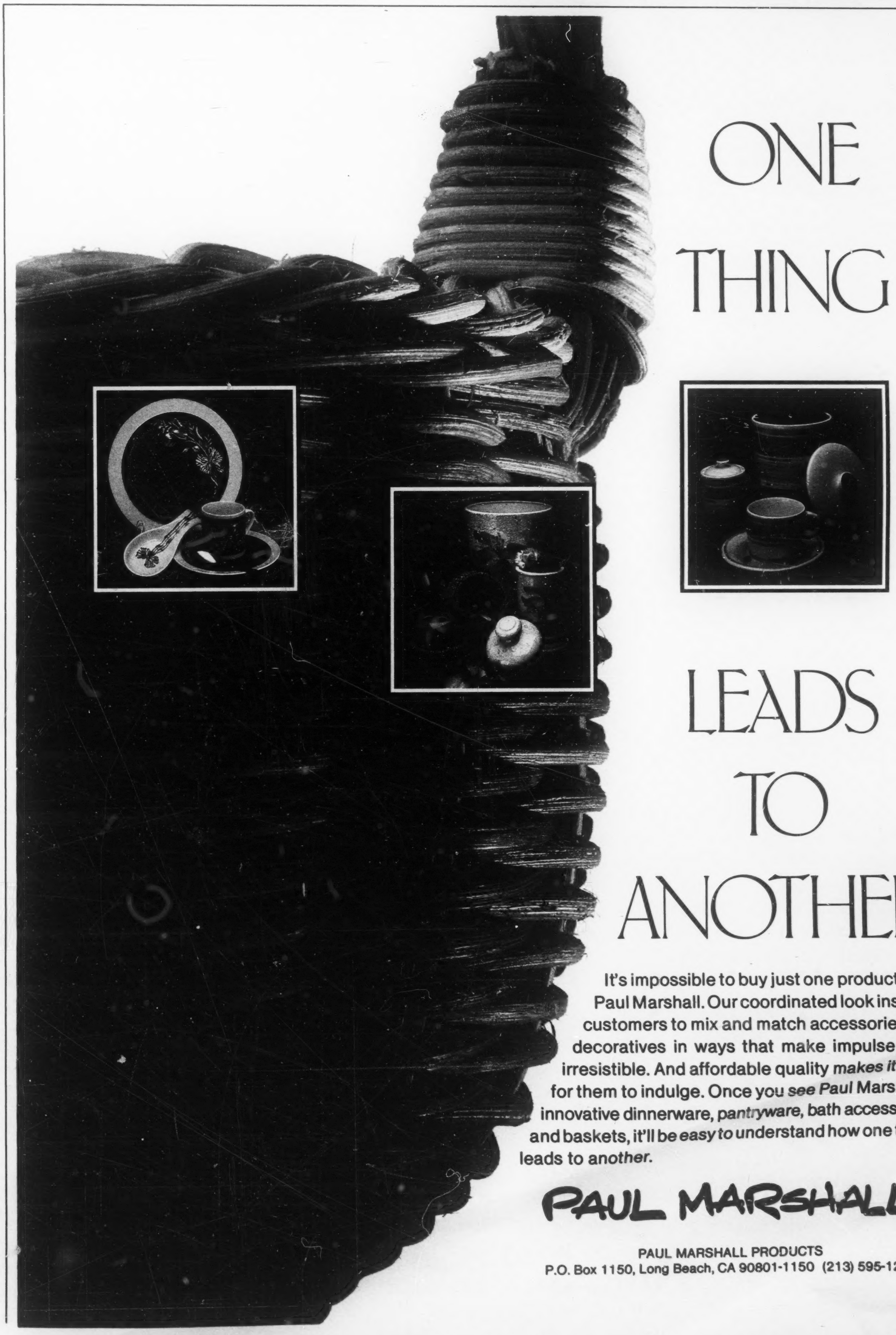
U.K. Primed for U.S. Retailing

(Continued from page 96)
low prices on quality merchandise." Retailers he thinks could make the move include Nordstrom's or Dillards ("the quality department store, like House of Fraser, is still doing well here") on the strength of service, The Limited on the basis of its exclusive fashion merchandise and store size that would mesh neatly with existing vacancies, and, ironically, Home Depot, with its sharp prices, service and full selection.

If any retailer does make the jump, the key will be service. "British service is terrible," Marking said. "Americans teach good service from the moment they hire someone. Here, service people feel they've been hired to run a cash register or stock a shelf, not to be pleasant."

The Keyline system is one example. An on-line approach to teleshopping, Keyline combines top U.K. retailers like Littlewoods, ASDA, Gateway, Grattan, Ladbrokes and Mothercare and free computer terminals to produce a system that could quickly turn into a major player in the retail scene.

The terminals, which cost $75 or so to build, will be distributed for free to 3 million households by 1995, with the cost paid back to Keyline in the form of a surcharge to the merchant of about 50 cents to $1 per transaction.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ENDLESS POSSIBILITIES • ENDLESS PROBLEMS

RETAILERS SEE FEW IMMEDIATE OPPORTUNITIES IN 'NEW EUROPE'

(Continued from page 100)

Monash said the litany of stumbling blocks working against U.S. merchants engaging in trans-Atlantic retailing ventures includes the following:

• Government restrictions. Reacting to pressure from small retailers, governments in most European nations have limited how many new stores can be opened, how large they can be and where they can be built. Restrictions are more severe in France and Italy and less so in Germany and the United Kingdom.

Many European governments have also restricted nationwide advertised promotions and sales to specific times—mainly end-of-summer and post-Christmas clearances—during the year. Chains, therefore, rely heavily on in-store promotions to draw shoppers.

• Labor relations. Unions, sometimes backed by religious groups, in a number of countries have limited the hours and days that stores can be opened, sharply restricting evening hours and Sunday selling.

Unions have also put into effect national contracts that cover all retailers so that companies cannot negotiate agreements that address their specific situations. These contracts in a number of cases curtail management's ability to reassign workers as needed.

But the outlook for chains is improving in Europe as consumers realize the two advantages offered by multistore operations: lower prices and a broader selection of merchandise. "The pendulum is slowly swinging toward large stores and concentration of larger stores, but Europe is still way behind the U.S.," Monash said.

European retailers see Europe as their most lucrative and logical market. They already know the operational ground rules and it's easier to distribute goods next door as compared to across the Atlantic.

As chains account for a growing share of the retail market in the more economically advanced Northern European countries, they are thrusting into Southern Eu-

(Continued on page 118)

ITALY
CAPITAL: Rome
AREA: 116,324 square miles
GOVERNMENT: Republic
POPULATION: 57,576,000 (1990)
LANGUAGE: Italian
GNP: $947.4 billion [U.S.] (1989)
PER CAPITA INCOME: $14,200 [U.S.] (1988)
LARGEST RETAILER: Co-op Italia
GNP = Gross National Product Source: *DSN* research

SPAIN
CAPITAL: Madrid
AREA: 194,897 square miles
GOVERNMENT: Parliamentary Monarchy
POPULATION: 38,925,000 (1990)
LANGUAGE: Spanish
GNP: $379.5 billion [U.S.] (1989)
PER CAPITA INCOME: $7,390 [U.S.] (1987)
LARGEST RETAILER: El Corte Ingles
GNP = Gross National Product Source: *DSN* research

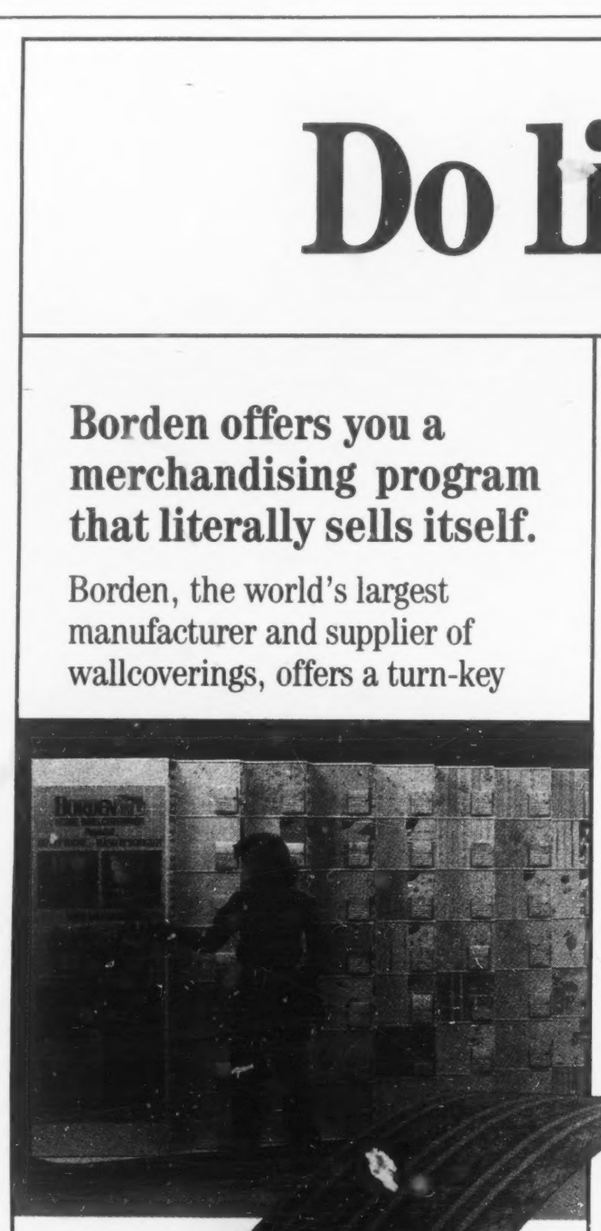
NETHERLANDS
CAPITAL: Amsterdam
AREA: 13,103 square miles
GOVERNMENT: Constitutional Monarchy
POPULATION: 14,892,000 (1990)
LANGUAGE: Dutch
GNP: $247.3 billion [U.S.] (1989)
PER CAPITA INCOME: $15,170 [U.S.] (1988)
LARGEST RETAILER: Vendex International
GNP = Gross National Product Source: *DSN* research

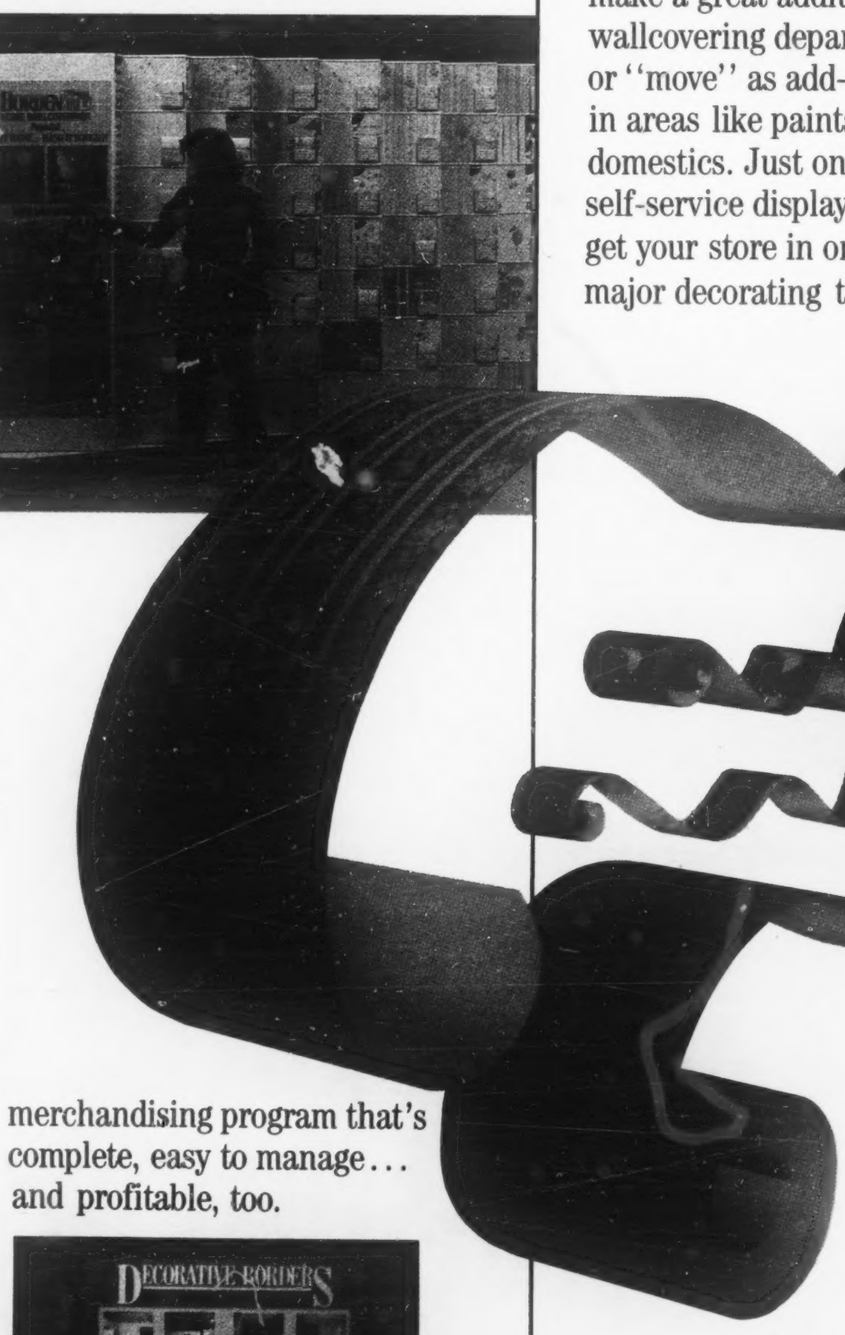
SWEDEN
CAPITAL: Stockholm
AREA: 170,250 square miles
GOVERNMENT: Constitutional Monarchy
POPULATION: 8,401,098 (1989)
LANGUAGE: Swedish
GNP: $198.5 billion [U.S.] (1989)
PER CAPITA INCOME: $13,897 [U.S.] (1988)
LARGEST RETAILER: ICA
GNP = Gross National Product Source: *DSN* research

Do little. Sell lots.

Borden offers you a merchandising program that literally sells itself.

Borden, the world's largest manufacturer and supplier of wallcoverings, offers a turn-key merchandising program that's complete, easy to manage... and profitable, too.





DISPLAYS. Borden is the pioneer in merchandising a comprehensive package of fixturing, signing, point-of-sale literature and take-home samples.

BORDER PROGRAM. Borders make a great addition to any wallcovering department, or "move" as add-on sales in areas like paints or domestics. Just one self-service display can get your store in on this major decorating trend.

ENDLESS POSSIBILITIES • ENDLESS PROBLEMS

EASTERN EUROPE A RISKY BUSINESS BUT STRIVING FOR FREE MARKET

(Continued from page 104)
Smitty's Lumberteria in Alexandria, Va., a two-store hardware store chain associated with the ServiceStar network, expects to open his first store in Moscow in June.

The product of a joint venture, Smith's Moscow store will be the start of his Eastern European expansion program. He is already negotiating for sites in Poland.

"It looks like you can sell anything and everything over there," Smith said. He has not only been welcomed but treated as a preferred investor.

His Moscow store will be 1,500 square feet with 2,000 square feet of storage in the basement and offer a still undetermined list of goods.

Woolworth, which had stores in what is now Poland and Czechoslovakia prior to 1948, will only expand its European store base as far east as Eastern Germany for now, said William Lavin, executive vice president, finance and chief financial officer.

Currently, Woolworth has three variety stores in eastern Germany and hopes to have 10 stores there by the end of the year, and 40 to 60 stores there in five years.

"Our experience is that the demand for consumer products is unquenchable right now for basic goods," he said, calling sales "fantastic."

But the lack of hard currency throughout the East is keeping Woolworth from venturing beyond German borders. That could all change next year.

In addition to the variety stores, Lavin said Woolworth will expand both its Moderna shoe stores and Rubin costume jewelry stores, the same format as its After Thoughts stores in the United States, in Eastern Germany.

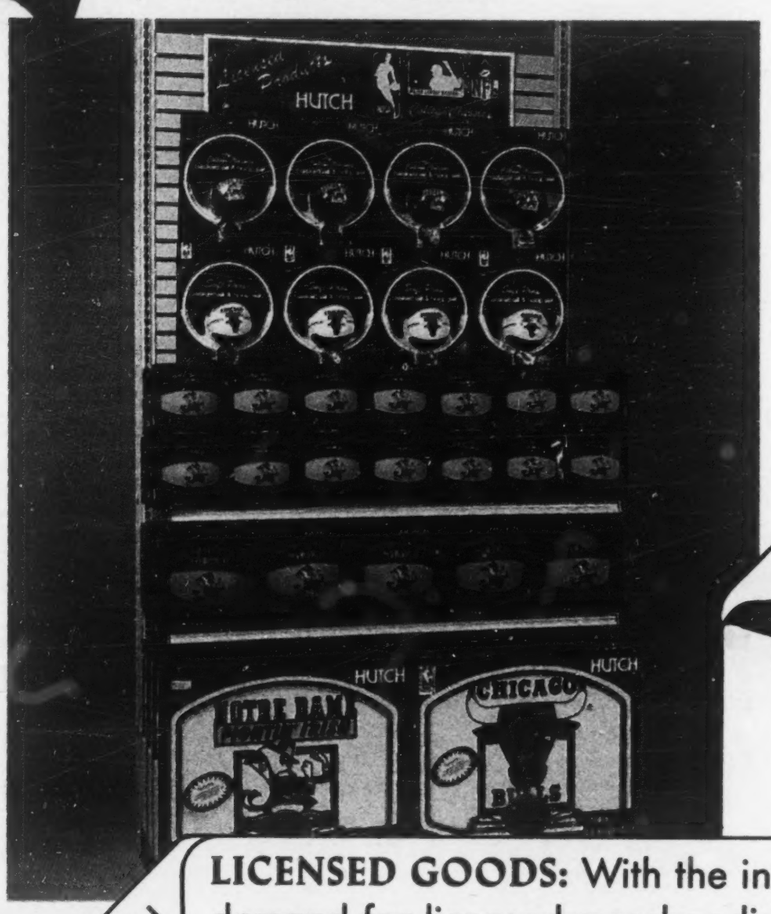
Another addition to the East is The American Store in Moscow, a joint venture from Bosmosco, representing investors from Boston and Moscow. The 20,000-square-foot store opened April 8 with products from over 100 U.S. companies such as Emerson, Kimberly Clark and Procter & Gamble.

Items are sold for hard currency to Soviet businesses who give them to their employees as incentives. Multiple units are a possibility, said Martin Adler, partner, adding that Bosmosco plans to open a Russian store in Boston this fall.

LICENSED PRODUCTS THAT TURN WITH THE SEASONS.

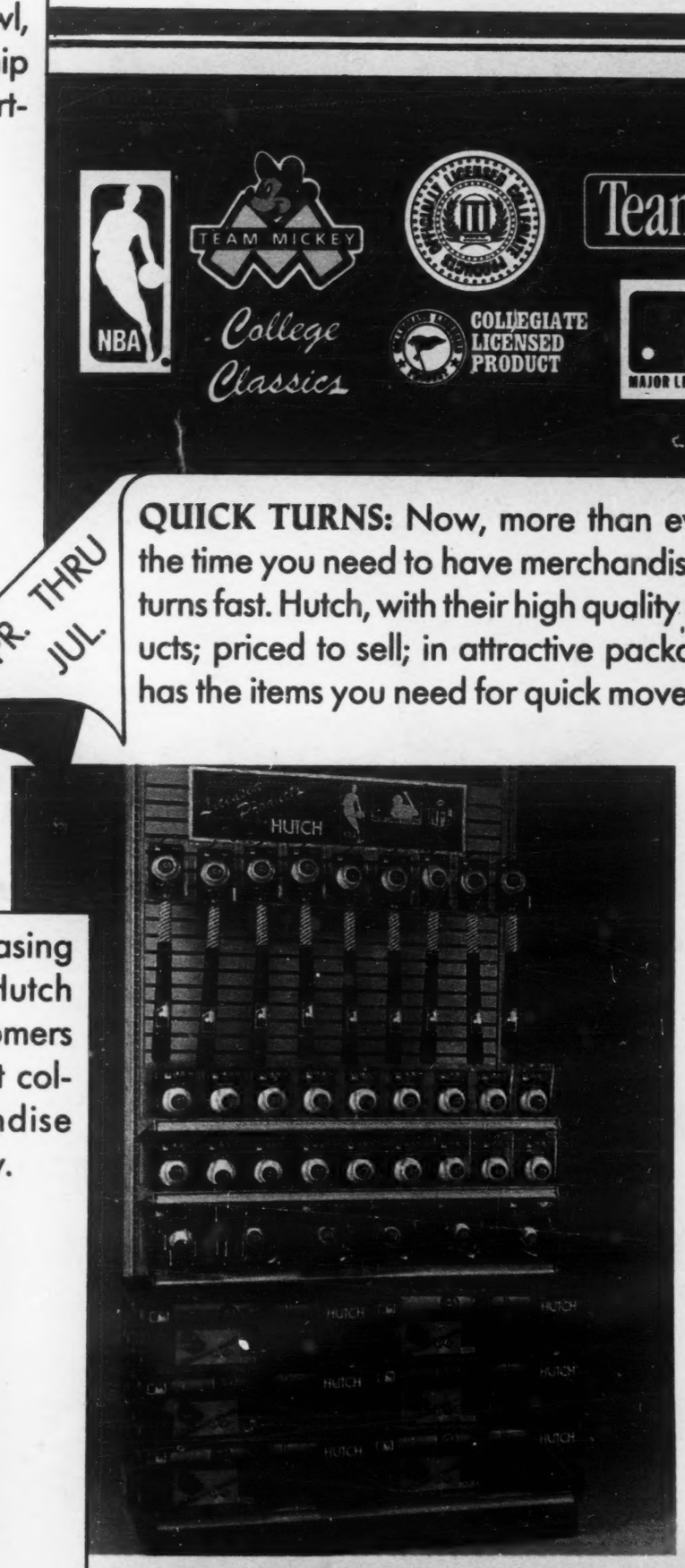
DEC. THRU MAR.

YEAR ROUND ASSORTMENT: Whatever the season, Hutch has the right licensed product. Whether it's time for Super Bowl, NCAA Final Four, the NBA Championship or the World Series; Hutch has the assortment for the season.



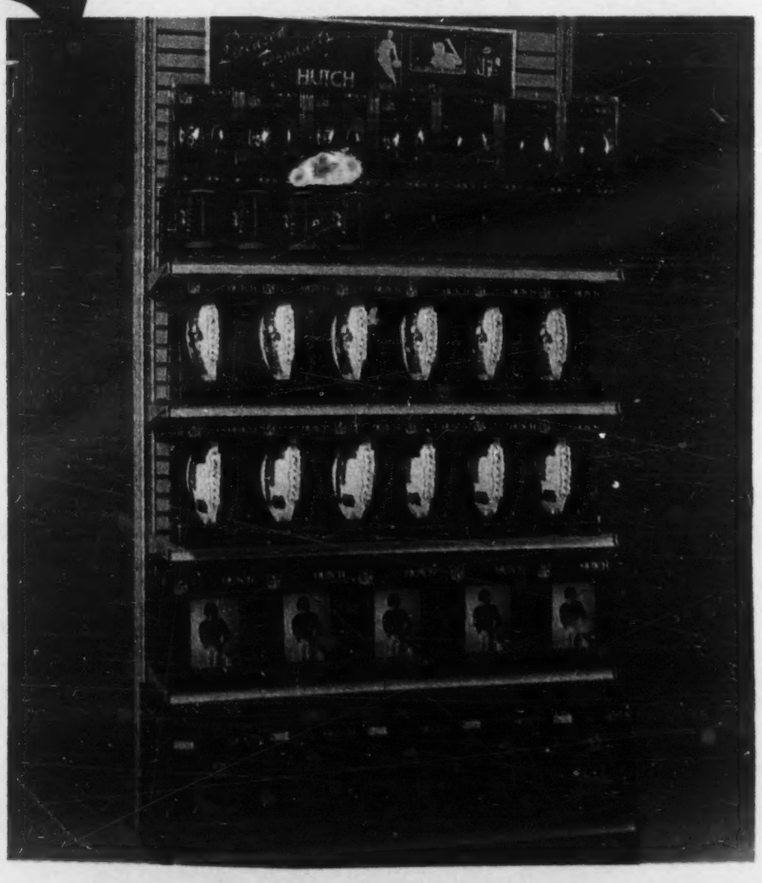
APR. THRU JUL.

QUICK TURNS: Now, more than ever, is the time you need to have merchandise that turns fast. Hutch, with their high quality products; priced to sell; in attractive packaging; has the items you need for quick movement.



AUG. THRU NOV.

LICENSED GOODS: With the increasing demand for licensed merchandise, Hutch has all the licensed products your customers want. Including NBA, NFL, MLB, most colleges and Team Mickey merchandise licensed by The Walt Disney Company.



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Kmart's Carlson Addresses U.S.S.R.

(Continued from page 104)
ed Kingdom—which is a distributor for Symbol Technology and other products in the Soviet Union—and the Central Committee on Publishing in the Soviet Union, Carlson said.

In addition to his speech, Carlson also participated in a question and answer session with various conference speakers that lasted 7½ hours.

The audience was full of trade ministers, or heads of very large firms, from each of the country's 15 Republics. They were "so intent on learning from others," Carlson said.

In September, Carlson said he will expand upon his speech on QR and give insight into the equipment needed to accomplish a true QR program.

Carlson was invited to become a speaker at AIM-Europe from a contact he met at last October's technology conference. Since his return, he has also been invited to consult with the Minister of Trade of Estonia, a Baltic Republic. The meeting will take place either in Riga during the upcoming two-day meeting, or Carlson will travel to Estonia.

WESTERN EUROPE: A MARKET IN FLUX

(Continued from page 115)
rope—Italy, Greece and the Iberian Peninsula—which are relatively undeveloped retailing markets. At the same time, West Germany chains are racing into East Germany.

Western European retailers are also lining up to rush into Eastern Europe as that market develops. As Eastern Bloc countries solve such questions as the ownership of nationalized retailers, the stampede will begin, albeitby 1992.

European retailers' interest in the United States, apart from the few success niche merchants, is expected to continue to be focused on investing in successful U.S. chains. A similar situation is seen as applying to U.S. retailers eyeing Europe. U.S. retailers that have successfully invaded Europe have followed a basic rule: hire executives from the targeted country to operate local stores, but train them in America.

HQ Stores Provide Peek at Wal-Mart

(Continued from page 1)

"Sound Associates," located in the consumer electronics department, is a video kiosk that offers information for about 100 audio products. While it doesn't have direct order capability, the kiosk, supplied by AVCA, provides shoppers with a printout containing price, model, sku number, and basic features.

"Arts Report," a video kiosk also located in the CE department, offers short previews of top music and movie hits. Unlike Sound Associates, it offers customers the option of ordering by mail from over 5,000 products.

The electronic shelf tags, supplied by Price Link, are being tested only in high traffic areas such as paper goods and household chemicals. The LCD tags mount directly to the shelf and are controlled in the back room.

"Consumerscan" is similar to a device being employed by Target Stores in its Greatland Store of the '90s prototype in Minneapolis. It is simply a bar code scanner built into a basic kiosk that allows customers to check prices themselves. For example, a customer scans the merchandise and the screen displays the price. This is tied into the main system so prices for every item in the store are available. There are three Consumerscan kiosks throughout the store in the hardware, H&BA, and children's apparel departments.

Shoppers' profiles refers to the ability of the automotives department, or Lube Express, to capture data of shoppers. It is set up like an auto dealership's service department. For example, customers receive letters reminding them that it's time for their next oil change.

Sandy Glover, director of stores systems development, said that it's too early to evaluate which tests are viable and which items, if any, may be rolled out chainwide. She said customers are being surveyed within the store regarding the different applications. For example, comment cards are stacked on the customer scanners throughout the store.

Glover pointed out that each test must meet three specific requirements:

1. If it pays, it stays.
2. It must enhance the shopping experience.
3. It must help the associates.

Glover said that Wal-Mart currently has no plans to test frequent shopper programs, automatic checkout, instant couponing at point-of-purchase, or debit cards.

The Rogers test store also has several merchandising improvements, some of which were previously tested in the vendor store and hypermarts. They include wider aisles, more benches throughout the store, and expanded departments. Other changes include:

- A separate cosmetics department with a glass counter display featuring Estee Lauder products;
- Worm Bar, a 25-foot run of fishing lures and bait;
- Expanded pet department highlighted by a huge aquarium facing the main racetrack aisle;
- In automotives, use of warehouse style fixturing for motor oil, a battery kiosk and expanded tire wall display;
- Expanded shoe department designed by lead vendor E.S. Originals;
- Upgraded fixtures and signage throughout soft lines departments;
- Upgraded jewelry display case with black accents that create a marble look.

The Rogers store also has a one-hour photo department and a full service optical department called Vision Center.

Rudin & Roth U.S. Hosiery Rudin & Roth U.S. Hosiery Rudin & Roth

NOMELLE!

Rudin & Roth is pleased to announce that they have acquired the rights to the acrylic trademark "NOMELLE", from E. I. duPont de Nemours and Company.

"NOMELLE" has been one of the leading high quality sock and sweater trademarks since 1968. Rudin & Roth anticipates expanding its sales of hosiery using "NOMELLE" and licensing other companies to use the trademark on quality products.

For further information about Rudin & Roth or "NOMELLE", call 1-800-438-1188 or visit us at IMRA, Booth #1502.

Rudin & Roth U.S. Hosiery Rudin & Roth U.S. Hosiery Rudin & Roth

International Retailing Drives Woolworth Gains

(Continued from page 1)

cialty stores) were 56% of total 1990 volume. Its Canadian operations amounted to 25% of the total, Europe had 17% and Australia 2%.

The five-and-dime type formats are no longer the focus of growth; There were 1,653 variety or general merchandise stores open at the end of 1990, while the specialty store count soared to 6,966 locations.

It is in the European market where Woolworth sees the greatest opportunity.

"We see Europe as an area for further expansion of our Woolworth division, but the biggest movement is in the Footlocker specialty store business. We expect to open 1,000 more Footlockers in Europe in the next 10 to 15 years," said Barry Thomson, head of corporate affairs.

The total number of Footlockers in Europe is now 47, with the highest concentration in the Netherlands, 20, and Germany, 14. The rapid expansion of the format was aided by last year's start of a new Netherlands subsidiary called Foot Locker Europe B.V. The Netherlands subsidiary purchased a five-unit chain, Sportsworld B.V., last February. At the same time, Woolworth acquired eight stores called Freedom in England. These too were slated to be converted into the Footlocker format.

As it stands, the Woolworth variety stores are presently open only in the United States, Canada and Germany, but Thomson said the company is "monitoring the situation in Eastern Europe very closely. It is very difficult to work in that area. There are questions about getting the right systems in place."

The majority of Woolworth stores are in the United States. A total of 966 Woolworth and 50 Woolworth Express units were open at the end of 1990. Canada is home to 189 Woolworth stores (also called Robinsons in some locations), 147 Woolco department stores and two Woolworth Express locations.

Germany store counts are quickly gaining, with 233 Woolworth and 66 "mini-shops" in operation last year.

Woolworth has also been operating in Mexico for decades, most recently with a 49% interest in Woolworth Mexicana S.A. deC.V.

In 1989, 44 stores were in operation. Another five were added just last year.

Hills Uses Ad Circulars To Help Boost Its Sales

(Continued from page 1)

1990 results. Operating income plunged 37% to $67.7 million from $108.1 million.

Sales for fiscal 1990, a 52-week year ended Feb. 3, 1991—a day before it filed Chapter 11 bankruptcy—rose 3.1% to $2.14 billion from $2.08 billion for the 53-week fiscal 1990. Same store sales for the year rose 1.3% but for the critical fourth quarter dropped 5.7%.

Despite these results and the chain's Feb. 4 bankruptcy filing, John Reen, senior vp and cfo, said business has been "very good, measuring against the plan."

Through the first nine weeks of this year, revenues exceeded plan by more than $20 million, Reen said, adding that the chain had not drawn upon any of the $250 million in debtor-in-possession financing it has available. He said Hills probably would borrow "a little" in April. Inventory levels also are "where they should be."

Hills' brightening financial picture is attributable to business decisions that have included the closing of 60 stores and vendor support. Reen said Hills is averaging close to 30-day terms on all orders.

Hills also is getting more aggressive in its solicitation of sales. Although still an everyday low price operator, Hills is continuing to enlarge its circular program as a means of communicating with its customers.

This year, Hills will produce as many as 27, 16- to 32-page, four-color circulars, up from 20 last year. Historically, Hills produced only six to eight circulars a year. TV ads, strategically placed during peak sales periods, also are being cut in favor of circulars.

Also on the rise in the circulars is Hills' "Special Savings Coupons." Tried last year, the program is being expanded in 1991. These coupons are located on almost every page of the circular. In the March 17 to 23 circular, for example, Hills included 65 coupons totaling $424.65 in savings.

DISCOUNT STORE NEWS

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G5150-3

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Discount Store News®

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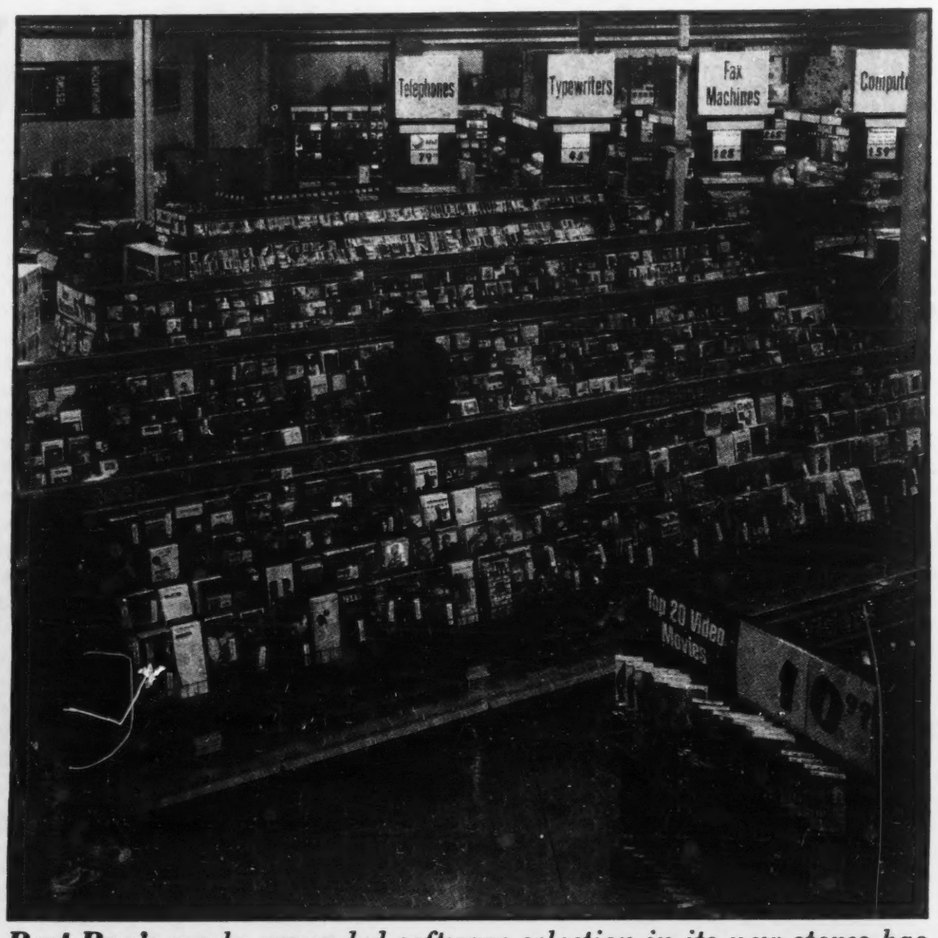

***Best Buy's** newly expanded software selection in its new stores has been a major growth area for the midwestern retailer.* (DSN photo)

Low Expenses Propel Best Buy Superstores

By Pete Hisey

MINNEAPOLIS — Brad Anderson, newly named president of Best Buy, the CE superstore chain, may have a tough act to follow. On the heels of his ascendance, the company also reported its strongest monthly results in years, with sales increases of some 40% chainwide in April, and comparable store increases of 16%.

That compares to a 4% same store decline at industry leader Circuit City, and flat or declining sales at other major chains. Additionally, one major competitor, Highland, has exited Best Buy's home Minneapolis metro market, setting Best Buy up for even further same store gains.

On the other hand, the effects of the recession are expected to linger into the summer. Other problems include the lack of truly exciting products since compact camcorders, rapidly declining price points and a consumer backlash against intrusive service, high-priced extended service contracts and out-of-stocks on heavily advertised goods has developed. According to Anderson, that backlash was a significant factor in the development of the chain's Concept 2 warehouse style stores.

(Continued on page 15)

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Hard Lines: Bulbs That Save Energy

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Kmart Takes Oak Park Look to New Heights

By Laura Liebeck

SAYVILLE, N.Y. — Kmart's newest store—and second Long Island unit—features a slew of new merchandising and technology concepts that take the Oak Park prototype design to a new level of productivity and service.

Like Kmart's standard Oak Park prototype, the new Sayville unit—which opened here last month—features wider aisles and a strong emphasis on power, lifestyle departments in a customer-friendly environment.

However, among the changes are improved merchandise adjacencies, dramatic high-tech features that enhance customer service, and a fine-tuned merchandise mix that eliminates a number of vendors from several product categories. In addition, several vendors were given space to design new display fixtures exclusively for Kmart.

The only new feature missing from the 104,000-square-foot store is a Little Caesar's Pizza restaurant, the result of a franchise deal completed after the store was built.

The Sayville store will be followed on Long Island by one in Levittown this month and another in Middle Island in August. Kmart anticipates having eight to 10 more Kmarts on Long Island within two years.

(Continued on page 68)

***Among the technological advances** at Kmart's recently opened Sayville, N.Y., store: Television monitors that are tuned into the Cable News Network above the checkout line.* (DSN photo)

Goldberger to Revamp Alexander's

NEW YORK — Alexander's, the 12-store discount chain based here, has named former Hills chairman Stephen Goldberger as its new president. The man he succeeds, Roger Barrer, has been promoted to vice chairman.

The move comes as Alexander's, one of the last of the urban discount chains, attempts to rededicate itself to state-of-the-art retailing. Goldberger noted that the chain's major weakness, apart from spending most of its management's time on the real estate business, is failure to follow through in key categories. For instance, Alexander's is strong in value-oriented leisure apparel, but carries almost no activewear, denim, athletic shoes or sports equipment.

Other areas Goldberger plans to beef up include toys, home furnishings, housewares and paperback books. Alexander's had been actively researching several of those markets. Destination category killers like Toys "R" Us have siphoned off substantial portions of Alexander's business in these higher margin areas. Additional areas that might be bulked up include luggage, appliances, RTA furniture and giftware, as well as seasonal departments.

(Continued on page 69)

Waccamaw Unveils New Home Decor Category Killer

By Mary Ellen Kelly

BIRMINGHAM, Ala. — Taking a radical step beyond its "pottery" stores and its last prototype, home decor superstore chain, Waccamaw Corp., debuted its store of the future last month in the Birmingham suburbs of Homewood and Irondale. New fixtures, logo, color scheme and layout were components of the revamp. In an exclusive interview with *DSN*, Waccamaw executives said that whole categories were jettisoned to make room for a more aggressive category killer approach to home decor.

Three other prototype stores are under construction in the Chicago market (77,000 square feet in Skokie; 85,000 square feet in Naperville and 100,000 square feet in Gurnee), scheduled to open one per month in July, August and September. The Homewood and Irondale stores are

(Continued on page 70)

MARKETWATCH

Apple to Sell PCs Through Discounter

CUPERTINO, Calif. — Apple Computer plans to start selling its lowest price personal computer this month through the nation's largest chain of discount computer stores, CompUSA. The move is a sign of the marketing upheaval underway in the PC field that is eventually expected to see other major PC brands appear in discounters like office supply superstores and membership warehouses (see story, page 54).

Court Denies Wal-Mart Injunction

WASHINGTON — Wal-Mart and the AFL-CIO's Food and Allied Service Trades (FAST) Department have reached an agreement under which the retailer will disclose its business transactions with Essick Air Products, a fan manufacturer that is owned by Walton Enterprises, the Walton family's holding company. Wal-Mart will issue a release noting the transaction and file information with the Securities and Exchange Commission. FAST had alleged in a lawsuit that Wal-Mart's original proxy statement failed to disclose material transactions between the retailer and Walton family members. Wal-Mart last month mailed out an updated proxy statement to 750,000 shareholders acknowledging over three dozen real estate transactions involving the company and Walton family members.

Kmart Gearing Up to Reduce Expenses

TROY, Mich. — Kmart is actively working on an expense reduction program. Company president Dick Miller is heading the group whose goal is to cut $250 million in expenses in the next 12 to 24 months.

OW Office Warehouse IPO Raises $22M

VIRGINIA BEACH, Va. — OW Office Warehouse has raised $22,916,000 from its initial public offering of 1.7 million shares—200,000 more shares than originally planned—at a net price of $13.48 a share. Another 300,000 shares were sold by venture capital investors in the company, who garnered a total of $4,040,000. The gross price to the public was $14.50 a share, but $1.02 a share, or a total of $2,040,000 went for underwriting discounts and commissions. The office supply discounter will use the proceeds to temporarily repay its revolving line of credit and finance continued expansion (see DSN, May 6, page 4).

Fred Meyer Opens New Store in Portland

PORTLAND, Ore. — Fred Meyer has opened here a new 186,000-square-foot unit to replace a store of 80,000 square feet. The chain has closed a net of five smaller and money-losing stores over the past 18 months, reducing store count to 120 from 125. Fred Meyer plans two more openings this year—Federal Way, Wash. and Fairbanks, Ak.

Target Wins Environmental Award

CHICAGO — Target has won one of five 1990 awards from the National Association of Professional Environmental Communicators for sponsoring Kids for Saving Earth, a club that encourages youngsters to work on environmental issues. Purpose of the awards is to recognize efforts that promote public understanding and discussion of environmental issues. In just one year under Target sponsorship, KSE has grown to 120,000 members in 3,600 clubs in 14 countries.

Best Products Reports Drop in Sales

RICHMOND, Va. — Cataloger Best Products, which is in Chapter 11, reported sales dropped 12.7% in the fiscal year ended Feb. 2 to $1.841 billion from $2.094 billion, while its net loss mushroomed to $332.968 million from $53.809 million. Gross margins last year declined to 25% from 27%, while selling, general and administrative expenses increased to 23.2% from 20.78%. The annual report noted that liabilities subject to bankruptcy settlement amounted to $1.362 billion and included $695.416 million in long-term debt, $337.425 million in merchandise accounts payable, $130.266 million in capital lease obligations and $116.751 million in short-term borrowings.

New Telephone, Fax Numbers for DSN

Discount Store News has a new telephone number: (212) 756-5100. *DSN's* new fax number is (212) 756-5125.

New Target Greatland Stores To Face Varied Competition

MINNEAPOLIS — Target's Greatland superstores will be facing a variety of discounter competition when it opens six stores in October in three markets.

A trio of Greatlands will be used to encircle Columbus, Ohio, while two new Greatlands will result in a similar ringing of Minneapolis, the market where the superstore was launched last fall. One Greatland will be unveiled in Springfield, Ill.

Target's initial Greatland on Route 42 in Minneapolis' Apple Valley suburb is across the road from a Kmart, while a traditional Target is a few miles down the highway. Apple Valley is south of the Twin Cities, and Target will ring the market by opening Greatlands in suburban Plymouth in the west and Shoreview in the north. The Plymouth store on County Route 9 is near a Holiday Plus and a Kmart, while the Shoreview unit on Lexington Avenue is near a strip center housing a Target and Marshalls.

A similar situation prevails in Columbus, where Greatland marks Target's debut in that market. There, the superstores will face the following:

- In the northwest suburb of Dublin, the Greatland at Sawmill Road and Tuller Parkway will face a Meijer hypermarket located across the street.
- The Greatland in the western suburb of Valleyview will be an anchor in the Consumer Square Mall, a discount center at West Broad Street and Wilson Road. Nearby competing discounters include Kmart, Harts and Meijer.
- Greatland in the eastern suburb of Brice on Brice Road will go against Scarborough Mall, a power center, along wth a nearby Meijer.

In Springfield, Greatland will debut in the western suburb of Jerome in a strip center that includes a Wal-Mart that opened this year.

McCrory Fire Kills 2, Destroys Store

HUNTINGTON, N.Y. — Two McCrory Stores' employees were killed in a fire last month that burned down the variety store located in the Walt Whitman Mall.

"We are most especially saddened by the loss of two valued employees, Wayne Mortak and Eileen Alyward, and by the magnitide of the fire," said Phillip Lux, McCrory's chairman.

Fire fighters from the Huntington Manor fire department responded to the first calls from the mall at 8:25 p.m. on May 16. Officials believe the fire started in an artificial flower display at the chain. The fire was termed suspicious and is currently under investigation by the Suffolk Police Arson Squad.

Lux confirmed reports that there had been other instances where a "suspicious" fire had been reported at that same store, but noted that each previous report had been investigated and "none of them were connected."

The McCrory store was totally devastated, according to officials.

Both Macy's and A&S reopened May 19. As of May 22, 30% of the mall was back in business. Lux said the company did plan to reopen the store, but did not yet have a time frame for rebuilding it.

SPARC to Honor Top Performers

CHICAGO — Who will be Discounter of the Year?

David Glass of Wal-Mart? Monroe Milstein of Burlington Coat Factory? Thomas Stemberg of Staples? Jim Sinegal of Costco? Bernard Brennan of Montgomery Ward? Don Clarke of Caldor?

And, which discount industry pioneer will be inducted into *DSN's* Discounting Hall of Fame?

Who will be Vendor of the Year?

For the answer to these questions, be sure to circle Sunday, Aug. 11, on your calendar. That's the date of the 14th annual SPARC (Supplier Performance Awards by Retail Category) Banquet, where the discount industry honors its top retail and supplier performers. First, second and third place vendor winners in 19 product categories will also be honored at the event, which takes place at Chicago's Downtown Marriott, beginning at 6:15 p.m.

For full list of supplier winners, see page 9. Further info: call John Failla, 212-756-5103.

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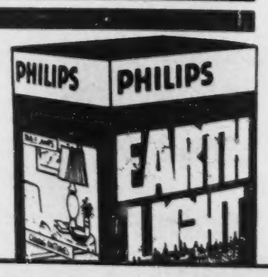

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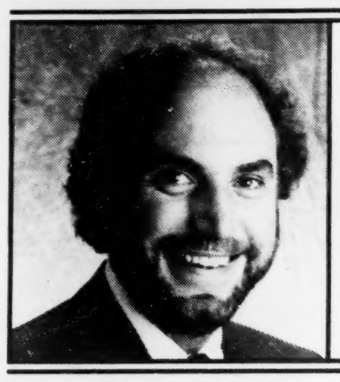
EDITORIAL

When Harry Met Sam . . .

When Harry Cunningham met Sam Walton a few weeks ago in Dallas at IMRA's gala tribute to Sam and his wife Helen, it was a memorable moment in the history of discount retailing.

These two pioneers of discounting and members of *DSN*'s Hall of Fame have been tough competitors for four decades. But have you ever wondered what Harry would say to Sam or what Sam would say to Harry? Their conversation might have gone something like this . . .



TONY LISANTI
Editor

Sam: Hello, Harry.

Harry: Sam, it's been a long, long time. How are you, and the family? How's business? So what you do think about discount retailing today? Do you think it has changed much since you and I started out?

Sam: Well, Harry, you know everyone is fine, thanks for asking. But, Harry you know we're just not as good as we oughta be. We could be a lot better.

Harry: What do you mean, Sam. You guys are doing great.

Sam: We may have passed Kmart in sales for the discount stores, but it's going to take everything we got to keep pace. Harry, I'm concerned about the future.

Harry: Yes, the challenges of the '90s are far greater than what we faced in the '60s and '70s.

Sam: That new Kmart prototype is one heck of a store. It's got us thinking and we're just gonna have to do what we do even better in order to remain competitive. Technology is revolutionizing the business beyond our comprehension. Imagine video kiosks and TV monitors in our stores.

Harry: Yes, retailing has become so sophisticated. Remember when we started, Sam, we just stacked the merchandise on tables and kept track of things by memory? Now everything is controlled by computers.

Sam: Those really were the good old days, huh, Harry. It does seem like operating a store was easier in the '60s. But Harry you made us all better. We learned as much from Kmart as from anyone.

Harry: Maybe so, Sam. But our successors must press on to find ways to improve. They must also remember that the very basics of retailing haven't changed.

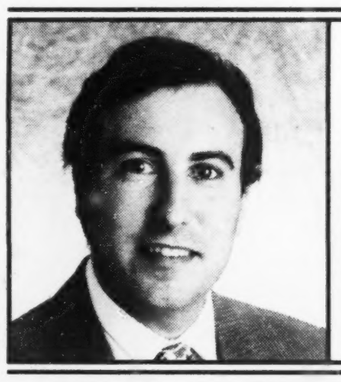
Sam: Absolutely. We must experiment; try new things like we used to do everyday, Harry. We must look for ways to better serve our customers. And we must continue to develop our people; teach them to be the best merchants possible.

BUYERS & SELLERS

IMRA: A Clearer Vision For The Future

Last month's decidedly upbeat International Mass Retail Association convention in Dallas featured a panel discussion on "Innovative Customer Service Techniques." Customer service is a crucial issue and a potential point of differentiation for discount retailers as they attempt to carve profitable niches for themselves in the '90s.

However, the real significance of this session was found in the participation of The Home Depot's training director, Steve Register, on the panel. The Home Depot is the country's leading mass retailer of home improvement specialty products and a perfect example of the type of retail organization that IMRA must attract to its membership for the trade association to remain a strong voice and proponent of discount industry concerns.



DON LONGO
Exec Editor

In fact, last month's convention represented a turning point in the organization. Under the guidance of its enthusiastic new chairman Warren White of Clover and new president Bob Verdisco, IMRA appears to have a clearer vision of what it needs to do to more fully represent the broad spectrum of off-price retailing.

Specialty mass merchants cut across several different product categories, but they have much in common with one another, and with full-line discount stores. The appearance in Dallas of new members and first time attendees, such as home improvement specialists The Home Depot, Channel Home Centers, Pay 'N Pac, and Payless Cashways, office supply superstores like BizMart, and hypermarket operators like Smitty's show that White and the IMRA staff are making headway in this area. Their success with these few specialty retailers suggests that future IMRA conventions will attract retailers like Lowe's Cos., Hechinger, HomeClub, Staples, Office Depot, Best Buy, Circuit City, Toys 'R' Us, Marshalls, T.J. Maxx, Clothestime and dozens of others.

The 1991 IMRA convention was a rebirth of sorts for the organization. Retail and manufacturer members have united behind the rallying cry of "partnership." Under its new leadership, the future is bright for IMRA, and for the discount mass retail industry.

TAKING STOCK

Sears' 1990 Results Don't Make The Grade

It's report card time for the Sears Merchandising Group.

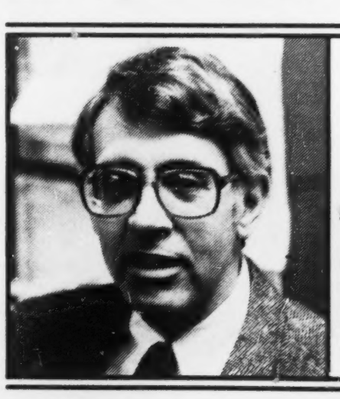
Simply put, the merchandising group turned in a poor performance last year.

Sears, overall, had a difficult 1990, with only the Dean Witter financial services division reporting sterling results. The bottom lines of the Allstate insurance and Coldwell Banker realty operations, while much better than that of the merchandising group, failed to match their 1989 performances.

The merchandising group's results reflected the poor sales and operating performance of the division's core operation, the full-line Sears stores in the United States.

The most dramatic result was Sears plunge to third place in sales among full-line U.S. retailers: Sears' $19.4 billion volume trailing Wal-Mart's $26 billion and Kmart's $24.5 billion. Sears overall and same store sales were down slightly from 1989, while the other two retailers showed gains in both areas.

The operational picture was just as poor. Sears full-line stores accounted for 77.5% of the merchandising group's overall $25.1 billion in U.S. sales. This was a 0.3 percentage point drop from the 77.8% share in 1989. The catalog share declined 0.4 percentage points to 15.3%, while only the specialty stores arm—Western Auto, Pinstripes Petites, etc.—showed an 0.7 percentage point gain to 7.2%.



ARTHUR MARKOWITZ
Senior Editor

Sears last year made a big point about cutting expenses—the aim being to come closer to the sharply lower costs of Wal-Mart and Kmart. But the impact of such moves as freezing salaries and cutting payroll wasn't that evident. While costs for the full-line Sears can't be isolated, sales, buying and occupancy expenses for the merchandising group as a whole went up 0.7 percentage points to 69.2%, while selling and administrative costs increased one full percentage point to 30.3%.

On the plus side: Despite the turbulent economy, Sears stabilized its merchandising operation in 1990. This year's challenge is to start to reap the benefits of its cost-cutting efforts.

The final grade for Sears merchandising group: C+ for performance, with expectations for a better mark this year.

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HARD LINES

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Shedding New Light on Bulbs

Compact Fluorescents Promise Both Long-Term Cost and Energy Savings

By Richard C. Halverson
Nationwide DSN Report

Energy-saving light bulbs have become the object of an environmental marketing thrust that could reflect renewed retailer profitability for the traffic builder category.

General Electric, Philips and GTE/Sylvania have introduced to the residential market compact fluorescent bulbs that promise consumers they will save as much as $57 worth of electricity over their 10,000 hour lifetimes because they burn up to 75% less electricity than the soft white incandescent bulbs they replace.

In the bargain, switching to compact fluorescents would avoid the air pollution that stems from generating the electricity that isn't burned.

But the industry faces serious marketing challenges before it can expect consumers to switch in large numbers from the 1.7 billion incandescent bulbs they buy a year. First is the cost: $13 to $20 for a bulb that produces about the light output of a 75-watt soft white that sells for 44 cents.

Furthermore, many compacts won't fit existing lamps because of their length, up to 7 3/16 inches, and fatter diameters. Moreover, the brightest compacts produce approximately the light of a 75-watt, soft white incandescent bulb.

GE plans to introduce this fall, however, a 26-watt compact that will equal the light output of a 90-watt bulb, said Jay Pomeroy, manager of marketing communications.

To work around the height problem, one of the GE compacts, dubbed the Circlite, uses a round fluorescent tube.

And residential customers won't see much of a dent in their monthly electricity bills by switching to compacts, because the payback of promised electricity savings would be spread over eight to 10 years, the service life of a compact. Residential customers now pay an average electricity bill of $63 a month, the Edison Electric Institute calculates, but only 5% of that, or $3.17, goes for lighting.

Following a poor test of compacts, Kmart is waiting for industry promotions to make a case with the public for compacts before it orders, although Wal-Mart and Target both have rolled them out and a number of regional discounters carry them.

Utilities are the primary spear carriers for compacts because they want customers to curb electricity use so they can avoid the cost of building more power plants. Utilities around the country are promoting compacts through large rebates, sharply discounted sales and even leases.

"Utilities are seeding the market for us," said Gregg DeSilvio, marketing manager of consumer products for Philips. "Once consumers try them, they'll want to switch every socket in the house."

Also, the Environmental Protection Agency is planning to get behind compacts by extending its Green Lights program, now limited to manufacturing and commercial lighting customers, to residential users. Green Lights gets customers to pledge to switch to energy-efficient lighting systems.

The EPA is developing a program with unnamed discounters to encourage customers at point of purchase to switch to compacts, said John Hoffman, Green Lights director.

By 1995, compact fluorescents could account for 25% of residential light bulb use, Hoffman predicted, but light fixture manufacturers first would have to redesign lamps and fixtures to include a built-in ballast, the fluorescent starting unit.

Compacts now include a screw-in ballast and bulb combination, making them too large for many fixtures.

Prices will come down as sales volume increases, Hoffman predicted.

Consumers will buy 5.7 million this year, GE Lighting predicts, with commercial and industrial (C&I) customers, which have had compacts available for a number of years, buying 27.7 million more. In 1996, residential customers will buy 11 million compacts and C&I users 50 million more.

In addition to introducing compacts to the residential market, GE and Sylvania have repackaged their reduced-wattage incandescent light bulbs developed for the C&I market in environmental green packaging for residential customers—at substantially higher retails—than conventional soft whites.

GE named its family of reduced-wattage and compact fluorescent bulbs Energy Choice, while Sylvania named its reduced wattage bulbs Energy Saver.

Philips repackaged its compact fluorescent, which has been available for several years to the C&I market, and introduced it last August to residential customers as Earth Light. Philips also produces a line of reduced wattage incandescents for the C&I market, but isn't

(Continued on page 62)

Compact Fluorescent Mass Merchant Offerings

Vendor	Wattage	Replaces	Light Output in Lumens	Service Life in Hours	Approx. Retail
Sylvania	18 watts	75 watts	1,100	10,000	$20
Philips	18	75	1,100	10,000	20
General Electric	27[1]	75	1,200	10,000	13
	15	52	700	9,000	14
	15	52	700	9,000	14
	9[2]	40	570	10,000	16

[1]Replaceable, 8-inch circular bulb, reusable ballast
[2]Replaceable twin-tube bulb, reusable ballast

***Sylvania's** 18-watt soft white compact fluorescent lamp is part of the company's new Energy Saver line.*

MARKETWATCH

Auto Aftermarket Topic of Confab

NEW YORK — Frost & Sullivan has set a two-day conference on "The Impact of Technology on the Automotive Aftermarket." It will be held Aug. 1 to 2 at the Westin Hotel, Denver. For information, call (212) 233-1080, or Fax (212) 619-0831.

Northern Auto Scraps Crown

PHOENIX — Northern Automotive is scrapping the remnants of the Crown Auto chain it acquired for $8 million in 1988, selling 17 more units to Champion Auto, New Hope, Minn., on top of 11 last year, and closing the remaining 20. When acquired, Crown operated 57 units, indicating Northern previously closed nine Crown Auto stores. The failure of Crown slashes Northern's store count to about 845 from a 1989 high of 880.

Basketball Gains In Popularity

NORTH PALM BEACH, Fla. — Basketball has become the most popular team sport among amateur athletes, with the number of players rising by 5.2% to 37.6 million from 1987 to 1989. A survey of the Sporting Goods Manufacturers Association also found that the number of those who play every week rose even faster, 16.9% to 7.6 million.

Kmart Snags New Ecology Program

WASHINGTON — Kmart has donated $1,500 to Fish-America Foundation to rehabilitate a Tennessee trout stream damaged by logging and road building. The company pegs such environmental donations to the number of junk car batteries that customers bring in for recycling. Kmart was paying $2, now cut to $1, for every lead-acid battery brought in and donates an unspecified amount per battery for environmental programs.

Children's Safety First at Bradlees

BRAINTREE, Mass. — In the interest of child safety, Bradlees has put safety belts in all 28,000 shopping carts in its stores. Falls from shopping carts sent 16,962 kids under the age of five to emergency rooms in 1990, and serious injuries from such tumbles rose 165% over the past 10 years.

ADAP, Vendors Set to Hold Car Care Carnival

AVON, Mass. — In a joint effort with its vendors, American Discount Auto Parts, (ADAP), a unit of Rite Aid, will hold a Car Care Carnival June 15 to 16 in Boston's Bayside Exposition Center. The carnival is scheduled to feature 125 vendor booths demonstrating products and DIY techniques, an exhibition of race cars and drivers, a muscle car competition offering $6,000 in prizes and a $50,000 giveaway.

HARD LINES

Shedding Light on Compact Fluorescent Bulbs

(Continued from page 61)

repacking it for consumers as a green product.

A number of mass merchants are stocking the Philips Earth Light, including Ann & Hope, Carrefour, The Fair Co., Pamida, Van Leunens and Jack's Discount Stores. Philadelphia-based Carrefour, the French-owned hypermarket, for example, carries it at $12.99.

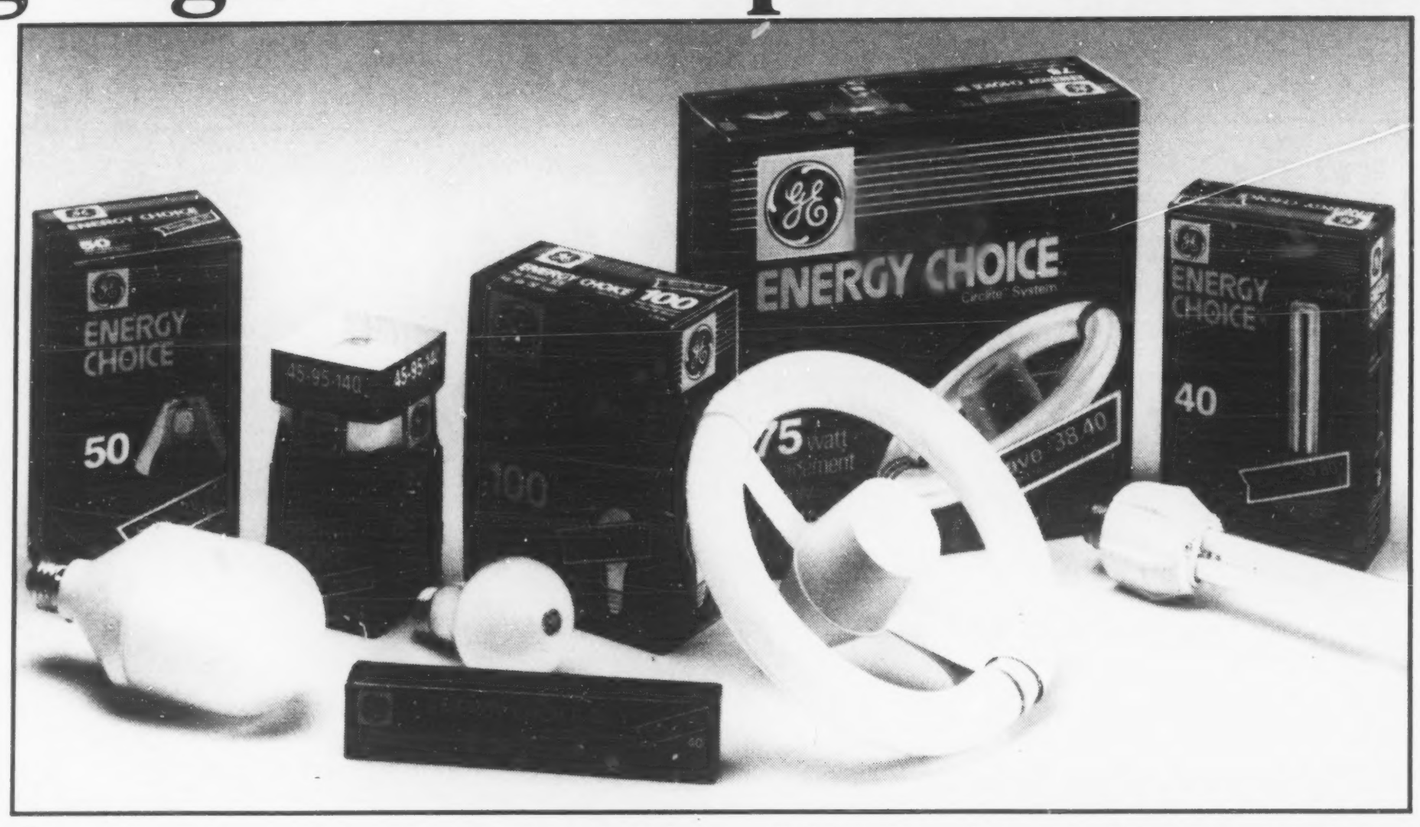
Within two or three years, reduced wattage incandescents will capture 8% to 10% of the 1.7 billion unit market, with a 1990 wholesale value of $760 million, Pomeroy predicted.

To promote its Energy Saver A-line bulbs, Sylvania plans a $3.5 million coupon and mail-in rebate program during the second half. Two coupon offers in newspaper inserts in October and December will include coupons worth 30 cents and 40 cents off at the register, said Robert Brands, marketing manager for consumer products.

In addition, Sylvania plans a $1 mail-in rebate campaign for A-lines.

Sylvania intends no promotions for compacts because it already is selling all it can produce, Brands said. One of the first discounter customers for Sylvania, which starts shipping in late June, is Drug Emporium, a deep drug discounter that will carry them at $18.99.

GE kicked off a $4 million TV advertising campaign earlier this month and offered a 55 cent coupon good for either A-lines or compacts in a *USA Today* ad that ran on Earth Day, April 22.



***GE Lighting's** lower-wattage Energy Choice bulbs are available in incandescent and fluorescent varieties.*

Following a disappointing test of compacts, Kmart is waiting for vendor promotions to educate consumers about their advantages, buyer Bob Schanbacher said.

But as of April 1, Kmart took on GE's Energy Choice line of incandescent A-line bulbs and put them on ad at two four-paks for $5. That compares with loss leader prices of $1.75 for soft white.

Energy Choice A-lines will settle down at $3.15 to $3.30 per four-paks, Schanbacher said.

The wattages are 52, 67 and 90, instead of the conventional 60, 75 and 100, and they produce about 8% to 10% less light than soft white bulbs.

Wal-Mart this March rolled out GE's entire 9-sku family of Energy Choice: three A-line, 3-ways and five compact fluorescents, including a replacement bulb, and reduced facings of standard bulbs to make room.

And Target has taken on the 3-sku's of Energy Choice A-line and three compact fluorescents, dropping the Lights of America compact fluorescent, (carried at $7.99), said spokeswoman Gail Dorn.

Last year, Target expanded its light bulb planogram to accommodate the energy efficient bulbs and hasn't reduced facings of conventional soft white.

Even though Target's compact retails range from $9.95 to $14.95, Energy Choice compact fluorescent sales are doing better than Energy Choice incandescents, Dorn said.

Energy Choice A-line bulbs retail at Target for $3.29 per four-pak, compared to $1.99 for soft white bulbs.

In a typical utility promotion for compacts, Southern California Edison is offering $5 rebates for purchases of GE, Sylvania, Philips and a number of imported compacts. A bill stuffer making the offer directs customers to various hardware, home center and discount outlets, including Target, Price Club, Costco and Pace.

In New York, Consolidated Edison has purchased several hundred thousand compacts from Philips, Panasonic and Osram (Siemens, Germany) for resale to its customers at give-away prices, such as $4 for a Philips Earth Light that retails for $13 to $20.

The Municipal Lighting Plant in Taunton, Mass. takes yet a third approach, leasing the Philips Earth Light to residential customers for 20 cents a month.

Differing technological approaches to compacts has led to a two-tier pricing structure.

Philips and Sylvania, for their 18-watt units, use a new electronic ballast that is lighter weight, eliminates flickering and lights up faster—but also costs more.

GE uses the older magnetic core ballast that is cheaper—though heavier.

Whatever the type of ballast, their bulk means compacts won't fit many existing lamps, although some can be modified by installing a longer harp, whichs holds on the shade.

To reduce size, compact designers doubled over tiny fluorescent tubes in either a twin-tube or a quad-tube configuration. Even so, a Philips Earth Light measures 7 3/16 inches tall and the Sylvania compact measures 6 3/4 inches. Osram folds its tube three times to make a shorter compact.

The ballast is the major cost of a compact fluorescent and must be thrown away when the bulb burns out on most of the units on the market.

Once lighting fixture manufacturers produce lamps with built-in ballasts, consumers could change just the bulbs themselves and save.

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HARD LINES/ Manufacturer News

NEW YORK — **Pro Set Inc.**, a trading card manufacturer, just issued Pro Set Super Stars MusicCards, the first-ever multi-artist series of music trading cards. The line consists of 260 cards in a variety of musical categories. Each package has 10 cards and retails for 50 cents to 69 cents.

NEW YORK — **GV Inc.** has introduced "A Happy Baseball Birthday," a high quality audio cassette with a two-minute birthday greeting from a top baseball star. The program also includes a special collectible photo/birthday card with a facsimile of the player's autograph. The packages are licensed by Major League Baseball and carry a suggested retail price of $8.50.

SIDNEY, N.Y. — **Keith Clark**, a stationery products manufacturer, said that in the fall it will open The Dorothy and Lewis B. Cullman Child Development Center, a child care facility to service the Sidney community and employees of Keith Clark. The not-for-profit center will accommodate up to 100 infants and children.

The facility is being built largely with a $500,000 contribution by Lewis Cullman, principal owner of Keith Clark, according to Douglas B. Willies, president of Keith Clark.

Waccamaw Unveils Home Decor Category Killer

(Continued from page 1)
85,000 square feet, and 66,000 square feet, respectively. Various sizes are being tested due to population differences in these communities and to see which sizes will be the best for future locations.

John L. Cote' Jr., president and chief operating officer said the prototype is 40% more expensive to build than older stores, but average transactions during the opening week were already 40% above first week figures at the previous prototype stores.

When mature, these stores are expected to generate $200 per square foot, said Cote', despite the reduced dollars per square foot of inventory. "We are determined to be the premier housewares and home decor store in the country," he noted, surveying the Homewood store.

Future plans include retrofitting existing stores that share the market with a prototype. For instance, the Rolling Meadows store will be retrofitted when other Chicago area prototypes are opened. The 26-unit chain also began testing what management is calling a "semi-automatic" replenishment system in May.

Marilyn Gill, senior vice president of merchandising, said "We're not abandoning the pottery stores [roughly 200,000 square foot outlet/tourist locations]. They will receive most of the new merchandise," but the pottery stores do not lend themselves to many of the other prototype elements.

The new Waccamaws don a turquoise and peach color scheme. Wide aisles and white, warehouse-style ceilings provide an airy, uncluttered shopping experience. The predominantly white fixturing varies from category to category—designed to give each product its best presentation—but maintains a cohesive appearance in overall store design.

***Waccamaw Corp. execs** (l. to r.) Andrew J. Owczarek, retail operations; Marilyn Gill, sr. vp., merchandising; John Cote' Jr., president and chief operating officer.*

Changes to the format also allowed for a 50% decrease in stockroom space, while increasing the actual number of stockrooms; three small stockrooms are positioned to enable more efficient stocking.

Service buttons in each department are new to the prototype as part of a renewed emphasis on service. Special services stations are strategically placed throughout the store including a cooking demonstration area near the store entrance and the chain's new Waccamaw River Cafe; custom floral counter with the expanded, 5,000 square foot artificial floral and tree department; personalized glassware stenciling in the tableware area; and monogramming station with bed and bath. Gift wrapping is available now, and bridal registry is likely to be added by fall.

An overall trade up to higher-end goods like Frugal Gourmet gadgets, Cuisinart cookware, Retroneau flatware and Dakota bedding were apparent in all categories. Attention was given to organizing merchandise and department adjacencies to make the store easier to shop. No longer are Waccamaw departments created by vendor or product material. For instance, there is no longer flatware in an Oneida department and flatware in a Pfaltzgraff department. Also, brass planters are no longer with other brass merchandise, but are stocked in the floral department.

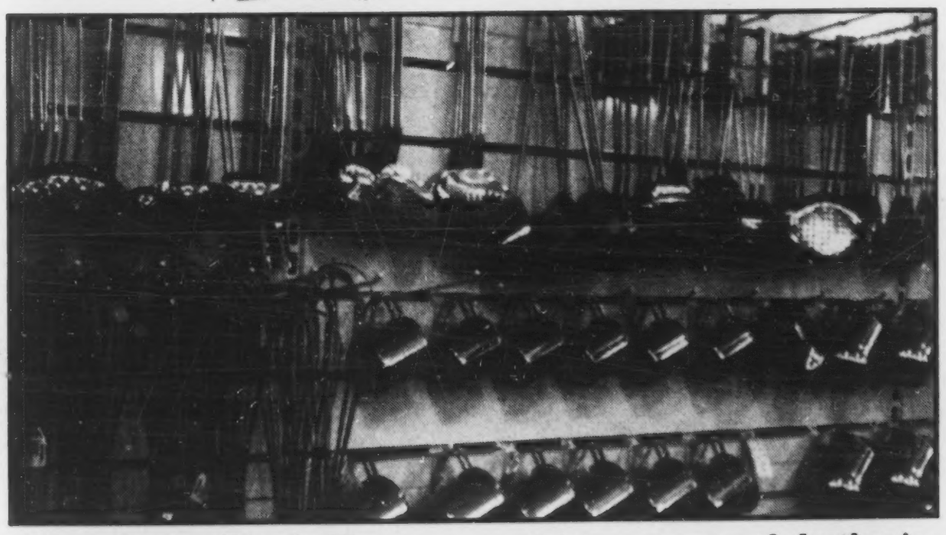
Departments that were eliminated included toys, luggage and tools. Some departments that were reduced in size are actually doing more business due to improved presentation and less clutter. Brass, for instance, has about one-third the footage it had in older stores but is showing higher sales.

Expanded categories include crafts, wicker, bedding and window decor. For instance, the bedding department now offers 57 patterns of bed spreads and comforters, most of which are new to the chain. Forty display beds line the department. Last August Waccamaw began testing juvenile bedding; now 10 juvenile bedding patterns are available in the prototype and Waccamaw is matching with bath towels, when possible. Overall, the bed and bath area now has double its previous space.

Other items were sold in older stores, but were significantly beefed up to become power departments such as lamps, closet organizers and furniture. Rugs, which had been tested last year has blossomed into a department 10 times bigger than in any other Waccamaw reaching to $300 price points.

Category adjustments in gadgets, bath accessories and furniture are scheduled, said Andrew Owczarek, retail operations. All of the executives agreed that any changes in assortment will clearly mean reaching to even higher price points and quality. "We sold out on a $70 shower curtain during opening week," said Gill. "To me, that says a lot."

The new Waccamaw store has some new merchandising minds as well. Leonora Shea is the new divisional merchandise manager of tabletop and housewares and Barbara Jones is the new dmm of domestics and crafts. Shea's background includes Smitty's and Maison Blanc. Jones had worked with Carson Pirie Scott and other retail operations.



***The gadget wall** in the Waccamaw prototype was upgraded; other improvements to the category are expected in Chicago stores.* (DSN photos)

DISCOUNT STORE NEWS

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Vol. 30, No. 11 June 3, 1991

Chicago Avenue: A Family Affair

(Continued from page 3)
up; it doesn't matter how much I could get for the merchandise." The store averages gross margins of 30% to 32%.

Income before taxes in 1990 was $1.3 million on sales of $4.2 million. The previous year pretax income was $64,000 on sales of just under $3 million.

While talking with Friedman at the store, he alternated between greeting hispanic and other ethnic customers in their native language, helping a man find the right-sized shoes, marking down and even giving away merchandise that he "knew wouldn't move at that price any more," answering questions asked by *DSN*, signing for deliveries and helping cashiers. Unlike Friedman, his partner was too "busy" and just waved.

The shelves stock footwear brands like L.A. Geer, Reebok and Oshkosh. Dump displays of children's shorts were crowded by women with one child at their side and another on the way. Younger women were rifling through racks of blouses and skirts.

While apparel is clearly the largest category in the store, the men follow instinct and experience when it comes to other brands and categories. Ethnic health and beauty aids is another large category for Chicago Avenue. The 30 feet of space is bought by Putyra's son, Robert. The vast majority of merchandise is closeout, except for infants' clothing, bottles and the like which even the most budget-conscious shopper will shy away from if it is irregular, Friedman said.

While the rest of the discount retail community is stocking higher and higher to get that stocked-to-the-gills look, Chicago Avenue is putting stock bins lower. Yellow and black signs remind customers to look down for bargains.

Retailing is clearly in the family blood. Friedman's son, Joel, who works with Chicago Avenue, is also a regional manager with Primerica Financial Services.

***Chicago Avenue:** Bargains on new name brand goods in a down-and-dirty environment.* (DSN photo)

Clothestime Opens Trend Club

(Continued from page 3)
While the Clothestime and Trend Club at Sawgrass Mills are only 900 feet apart, Dake said that April sales showed no adverse impact on either concept. "There was no significant loss at Clothestime once the second store opened and sales remained on par with other Clothestime stores," he said.

The off-price chain was founded in 1974 and has been struggling in recent years, but its latest sales figures show increases in both total sales and comparable store sales.

Sales for the first three months of 1991 were $56.8 million, a 21% increase compared with $46.8 million for the same period last year. Comparable store sales for the first three months of 1991 increased 7%.

"Not every outlet center created will work for us," Dake said. "However, there are some very successful outlet centers operating that we hope to be a part of."

CS150-3

Discount Store News®

SECOND CLASS

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Meijer to Re-Enter Cincy After Hills, Ames Exit

By Richard C. Halverson

CINCINNATI — Capitalizing on the departure of Ames and Hills from the Greater Cincinnati market, Meijer is planning to re-enter a market it abandoned in 1987.

Meijer, headquartered in Grand Rapids, Mich., is negotiating for a 210,000-square-foot store site in the new Turfway Square shopping center currently under development in Florence, Ky., said Michael Phillips, a partner of the developer, Carroll Properties.

Meijer is committed to re-entering the Greater Cincinnati market, of which Florence is a part, with five to six stores, Phillips said.

Meijer first set foot in Cincinnati in 1981, when it acquired a string of supermarkets and converted them to a general merchandise concept called Meijer Square. But it closed all eight Meijer Square units in 1987 to concentrate on its combination food and general merchandise hypermarket concept, then called Meijer Thrifty Acres but since shortened to Meijer.

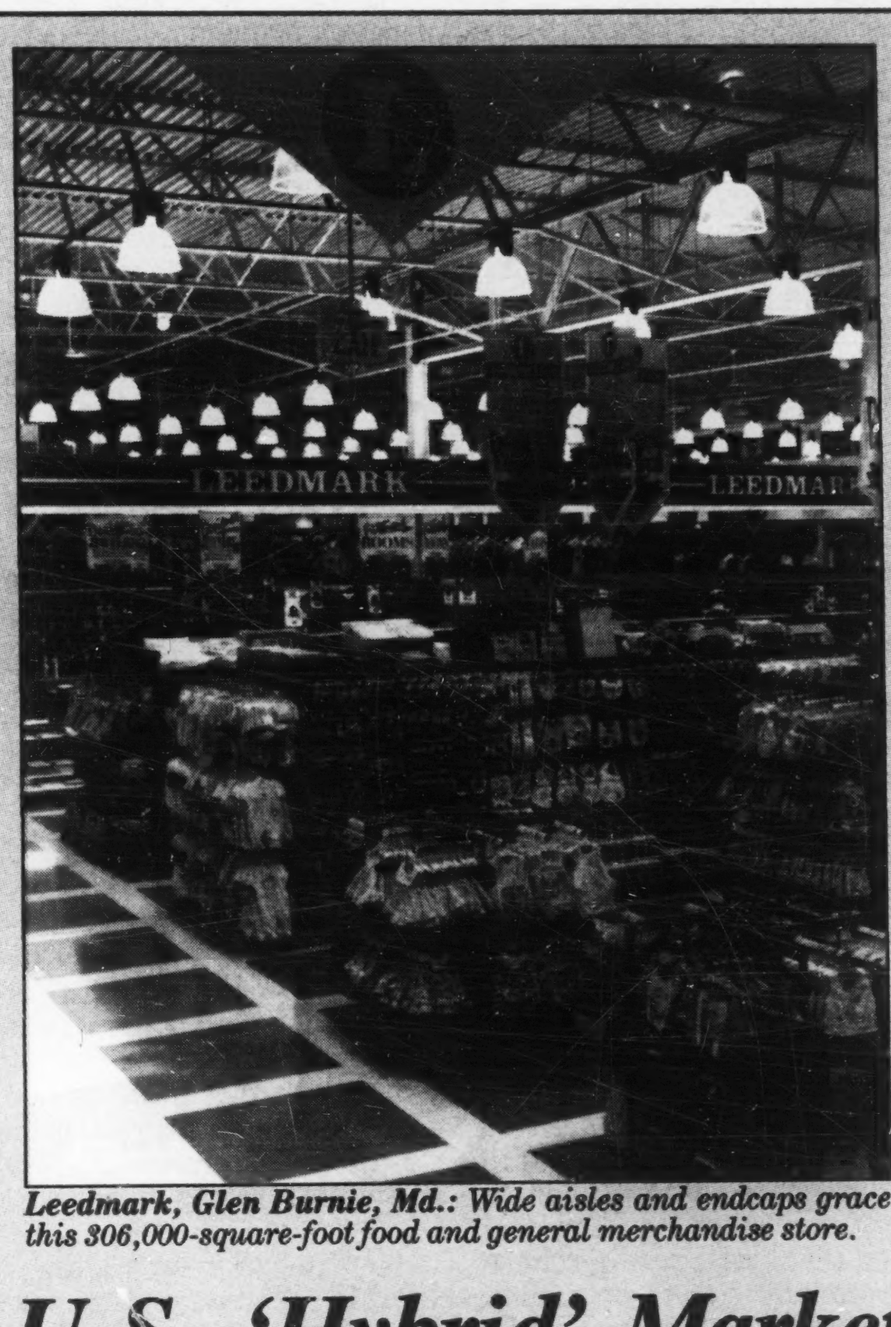
It sold many of the Cincinnati area stores to Zayre, which Ames acquired in 1988. Ames was operating nine stores in the market but closed them all after it declared Chapter 11 bankruptcy last year.

Moreover, Hills has closed all five of its stores in the market following its Chapter 11 bankruptcy filing early this year.

Despite their departure, the market hardly lacks for discount stores. Under the Commerce Department's definition of the Cincinnati Metropolitan Statistical Area, the market includes: nine Kmarts, four Wal-Marts, three Sam's Club units, one Pace Membership Club, one Big Bear Plus food and general merchandise combo store, three Value City discount stores, two Bigg's hypermarkets and six stores each of two Cincinnati-based discounters: Van Leunen's and Swallens.

Meijer already operates one unit on the northern fringes of the MSA in Franklin, Ohio, about 30 miles north of Cincinnati.

(Continued on page 50)



***Leedmark, Glen Burnie, Md.:** Wide aisles and endcaps grace this 306,000-square-foot food and general merchandise store.*

U.S. 'Hybrid' Market Has a French Flavor

By Arthur Markowitz

GLEN BURNIE, Md. — New Eldis Corp. launched its Leedmark hybrid store operation here using a unique corporate structure that mirrors the Edouard Leclerc hypermarket group of France, some of whose members helped fund the American venture.

New Eldis currently owns 99% of the initial Leedmark, with 1% held by G.B. Glenmark Ltd., the first company operating under New Eldis' auspices. New Eldis, however, has leased the $10 million, 306,000-square-foot food and general merchandise combination store from the Invesdis Corp., a separate firm that will own the real estate and buildings of all Leedmark units.

G.B. Glenmark can operate only one other Leedmark and can own 50% of each venture, with its investment also being the corresponding value of shares in New Eldis.

New Eldis' structure is similar to the Leclerc group,

(Continued on page 50)

A New Growth Opportunity?

Wal-Mart Rumor Adds Spice to Mexican Bowl

By Mary Ellen Kelly

MONTERREY, Mexico — A few months ago, a plane landed here carrying key Wal-Mart executives. The retailers, according to confidential sources, spoke with management at some of the country's leading discount and hypermarket chains. Some sources said they met with Gijante or Aurrera, while others said the talks were with Commercial Mexicana (which recently filed an initial public offering), or publicly held Cifra.

After a tour of the market, the Wal-Mart team shook hands with the Mexican businessmen, boarded their plane and went back to Bentonville. That brief visit was like an earthquake, sending tremors through the Mexican business community and across the U.S. border.

The field trip, which Wal-Mart refused to comment on, helped fuel speculation that the U.S. retailer had purchased a portion of stock in a Mexican discount store chain. Although a Wal-Mart spokesman told *DSN* the chain has not made such a purchase, analysts, consultants, vendors, Mexican press and retailers still believe that there must be some element of truth to the persistent speculation.

One analyst summed up the sentiments of much of the industry when he said, "The rumors regarding Wal-Mart in Mexico are widespread in the industry these days . . . They have been so persistent I would find it hard to believe that there's no truth in them."

Regardless of what Wal-Mart is or is not doing south of the U.S. border, retailers like Sears and Woolworth have been cultivating what is expected to become an explosive market in the years ahead.

(Continued on page 50)

MEXICO
TOTAL LAND AREA: 756,066 square miles
CAPITAL: Mexico City
POPULATION: (1989) 86,366,019
LANGUAGE: Spanish
GOVERNMENT: Federal republic
GDP:* $135.9 billion
PER CAPITAL INCOME: $1,640
*GDP: Gross Domestic Product. *Source: DSN research*

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Satellite Choices Dish Up Appeal

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Prototypes Symbolic Of 'Can-Do' Kmart

TROY, Mich. — Kmart's new Sayville, N.Y., store, internally called "Oak Park II," is evidence of the discounter's "dissatisfaction with the status quo" and the company's new "can do" attitude, according to chairman and chief executive officer Joseph Antonini.

Speaking before Kmart's annual shareholders meeting here May 29, Antonini reported on the overall health of the chain, its subsidiaries, company-wide goals and achievements. Change was a common theme of his talk.

He noted that each Kmart division was on the offensive in their respective industries, making changes that provide them with unique looks and programs. First-quarter 1991 sales receipts reaped the benefits of many of those changes with increases that ranged from 5.1% for the discount store division to 200% for The Sports Authority—a 21.3% comp store increase.

In 1990, company sales totaled $32 billion, up 8.6%.

Kmart's "biggest problem" in 1990, according to Antonini, was the sales per square foot decline at the discount stores. Sales per square foot fell to $189 in fiscal 1990 from $191 in fiscal 1989.

Another highlight of the annual shareholders meeting in-

(Continued on page 49)

MARKETWATCH

Kmart Dividends Rise for 27th Year

TROY, Mich. — Kmart will pay stockholders 44 cents per share June 10 for each share of common stock held prior to May 16, 1991. This represents an increase in the annual rate of $1.76 from $1.72. This is the 27th consecutive year Kmart dividends have been raised.

Execs: Consumers Will Pay for Green

NEW YORK — A recently completed Gallup poll found that 62% of manufacturing and packaging executives believe that consumers will pay more for environmentally-friendly products and packaging. The poll, conducted at the behest of Walter Dorwin Teague Associates, an international industrial design firm, revealed that respondents also are becoming more willing to spend extra for "green" products than they were two years ago. In 1989 when a similar survey was conducted, 58% of the respondents said that the extra cost of producing green products should be passed on to and would be accepted by consumers.

Bisceglia Receives Humanitarian Award

HANOVER, Mass. — The Cardinal Cushing School and Training Center, presented its Humanitarian Award to Francis X. Bisceglia, Service Merchandise's divisional senior vice president, hard lines merchandising. Presenting the award was Jerry Foreman, Service Merchandise's operating vp of merchandising. Also participating was His Eminence Barnard Cardinal Law of Boston.

QVC Airs Show on JCPTV Systems

WEST CHESTER, Pa. — QVC has begun to air its teleshopping program on cable systems that formerly carried the JCPenney TV Shopping Channel (JCPTV). The agreement between QVC and JCPenney doesn't affect JCPTV's ownership of affiliation agreements with these cable systems, which is the subject of a court suit filed by Shop TV which had been producing JCPTV's shopping program (see *DSN*, April 15, page 3). About 8 million of the 12 million households that can receive JCPTV already can view QVC. QVC expects to offer another shopping program to these homes by July 1.

Nynex Suspends Info-Look Service

WHITE PLAINS, N.Y. — Nynex has become the latest regional telephone company to suspend its gateway information and shopping service, which enabled computer users to connect to on-line services, because the venture wasn't profitable. The New York/New England Baby Bell said nearly 12,000 customers tried Info-Look at least once but not enough customers used it on a steady basis for it to be profitable. Nynex asserted that judicial restrictions that prevented it from providing or controlling the quality of services on Info-Look discouraged users. Competing services like Prodigy or CompuServe don't face such restrictions, Nynex added.

FOR THE RECORD

Jan Bell Marketing, which supplies jewelry to a number of wholesale clubs, plans to acquire Michael Anthony Jewelers, which is a supplier of primarily gold jewelry to retailers. *DSN* incorrectly identified Michael Anthony's line of business in the May 20 issue.

IMRA Fighting Pro-Union Regs

Rules Would Allow Unions to Solicit on Retailer Property

By Ken Rankin

WASHINGTON — Discount industry leaders are urging the Supreme Court to shoot down controversial federal rules granting union organizers access to retail store facilities.

The focus of the industry's concern: a three-year-old National Labor Relations Board policy under which discounters and other retailers may be required to allow labor organizers to recruit union members on store property.

According to officials at the International Mass Retail Association, the ground rules adopted by NLRB have created "a skew in favor of union access" to retail facilities.

In a "friend of the court" brief filed in cooperation with the U.S. Chamber of Commerce, IMRA called for a ruling that would make it possible for retailers to keep union activists off of company property unless the union has no other means of contacting store employees.

The case, Lechmere vs. NLRB, was prompted by the United Food and Commercial Workers Union to organize store employees at the Lechmere Shopping Plaza in Newington, Conn.

When the shopping center operators sought to prevent organizers from recruiting members on the company's premises, the union filed an unfair labor practice complaint with NLRB. Although the Board acknowledged that the union was able to contact employers without trespassing on company property, it nevertheless held that Lechmere must permit labor organizers to solicit on the center's parking lot.

That NLRB ruling was subsequently upheld by a federal appeals panel and is now under final review by the Supreme Court.

In asking the high court to require a shift in NLRB policy, IMRA cited legal precedents under which retailers are required to grant access to labor activists only if the union is able to demonstrate that no "less intrusive" organizing techniques are available.

Manufacturers Get 'Green' Guide

Nationwide DSN Report

Manufacturers now have a firm guideline on what environmental claims major states will permit them to make without running into charges of public deception.

In "Green Report II, Recommendations for Responsible Environmental Advertising," the attorneys general of 11 states have spelled out in final form what they regard as fair environmental claims that manufacturers can make in advertising.

In general, environmental claims:

- Should be specific and not general and vague;
- Recyclable and compostable claims should be made only when the product is being widely recovered through such methods;
- Environmental claims should be substantive;
- Manufacturers should support their claims with reliable scientific evidence.

Green Report II follows a preliminary report issued last November by the attorneys general of California, Florida, Massachusetts, Minnesota, Missouri, New York, Tennessee, Texas, Utah, Washington and Wisconsin. The final version incorporates suggestions of both manufacturers and environmental groups.

Green Report II also calls on federal agencies and Con-

(Continued on page 50)

Joe Antonini Stakes Own Bread on Kmart's Future

WASHINGTON — Kmart chairman and president Joseph Antonini is backing up his confidence in the retailer's future with his own money.

Antonini bought 14,000 Kmart shares for $582,350 on the open market April 8 and April 19—his largest purchase of company stock—according to a May filing with the Securities and Exchange Commission. The purchases, most at $41.63 a share, boost his Kmart holdings almost 40% from his previous stake of 38,556 shares.

Antonini, whose salary and incentive bonuses amounted to $992,625 last year, holds options exercisable for 387,500 shares, according to Kmart's proxy statement. But he purchased the stock on the open market to demonstrate his belief that the retailer's revitalization strategies were working.

Kmart has been trading in the $45 a share range at press time, so that the value of Antonini's purchases have increased, on paper, over $49,000.

Antonini's previous open market stock purchases were on the day of and the day after the stock market crashed in 1987, according to the SEC filing.

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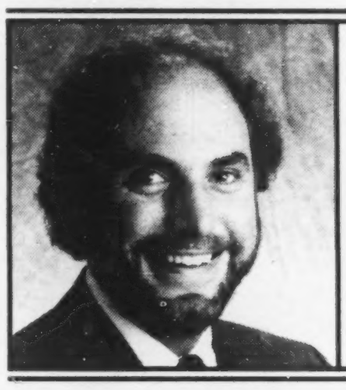
EDITORIAL

Dr. Pistner's Vision Takes Shape at Ames

It was about a year ago when ailing Ames rocked the discount industry and filed for protection under Chapter 11. Since then, this venerable Connecticut-based chain has been trying desperately to recover. Dr. Stephen Pistner, the turnaround specialist who previously helped Target and Montgomery Ward, was brought in to restructure the chain. Slowly and quietly the patient has responded, but a total recovery, as Dr. Pistner admits, is still a long-term process.

Dr. Pistner quickly discovered the Ames' ailment was much more serious than he, and many analysts, had first believed. Every aspect of the business was suffering and immediate attention was required just to survive. Several measures have been implemented successfully including a revamping of the health and beauty aids category, creation of a special buying group for "ethnic" stores, and implementation of POS systems. (An exclusive analysis of Ames will appear in the July 8, 1991 issue of *Discount Store News*.)



TONY LISANTI
Editor

Perhaps, one of the most encouraging signs of recovery is not the POS system or the improvement in H&BA or the ethnic product assortment—though they are important—but simply the morale of the Ames associates and their commitment to the customer. As the Doctor admitted during a recent interview, before Ames can implement any change or improvements to the business "we must have the right people to execute our strategies." As you can imagine, morale was extremely low at this time last year. But it now appears that the associates have begun to respond. In fact, over 100 store managers have been replaced.

Dr. Pistner has even consulted with another doctor of sorts, Lee Iacocca. The Chrysler chairman told Ames associates: "Whatever it takes, take care of your customer. Everyone in the organization, at the end of the day ought to ask: 'What have I done today to give the customer value?' It doesn't make any difference if you're on an assembly line or behind a cash register—everyone ought to be serving the customer. Everyone has to accept change, has to go beyond themselves, has to get that fire in their belly to succeed—but it starts with people."

But the most telltale sign of a "new spirit" at Ames comes from associate Ira Pennington from the Leesport, Pa. distribution center who wrote the following poem. He calls it "The Ames Promise." And I'm sure the good Doctor smiles widely every time he hears these words:

Our Ames Store is here to stay./We're here for our customers both night and day./We call our customers Number One./Because in sales, we won't be undone!

We're here to stay and that's a fact./We'll bend over to bring you back./We open the store when you're in bed./We're an Ames store, we must stay ahead.

We love our customers and that's a fact./That's why they keep coming back./So come on in and browse around./Our salespeople are the nicest in town.

Mr. Pistner came to Ames to have some fun./He said he wouldn't stop until we're number one./We'll do anything to win you back/We all mean that, and that's a fact!

This strong, positive attitude is the medicine that will help cure almost any ailment and I'm sure Dr. Pistner will see to it that it is administered regularly in large doses as Ames continues its recovery. The discount retail industry could use a few more employees like Ira.

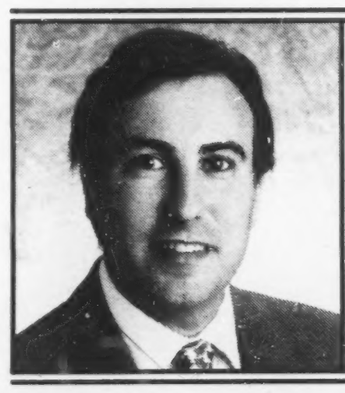
BUYERS & SELLERS

Store Visits: A Tale of Two Discounters

With apologies to Charles Dickens: It was the best of retailing; it was the worst of retailing.

I'm talking about a recent day I spent visiting discount stores on Long Island. I started the day at Kmart's then-newest store in the New York suburb of Sayville. That store is clearly one of the finest examples of discount retailing. Kmart just opened its third Long Island store (June 6 in Levittown). The Levittown store is expected to be one of the largest volume stores in the entire Kmart chain, but the Sayville store is still considered to be Kmart's model store.

Even with all the new technology features being tested in Sayville, I was most impressed with the intelligent fine-tuning of the store's merchandise mix. Throughout the store, numerous low-quality and low-margin items have been eliminated, replaced by new lines of better quality merchandise. Kmart buyers have done a tremendous job of going out and finding new products, like decorative spray paints, to create incremental business. The shopper is offered a better selection of products in those lifestyle departments where Kmart has decided to be dominant. The store retains its discount image with very sharp prices.



DON LONGO
Exec Editor

Driving a few miles west, to Bayshore, brought me down to earth. The recent history of Child World reads like a soap opera. The chain has undergone management turnover, an almost sale, and a precipitous drop in earnings. Now, the No. 3 toy chain is on the verge of being sold again. From the looks of the store I visited, the new owners will have their hands full. It appears that every bad buying decision that could be made, was made. Someone must have gone batty . . . with Batman action figures, Batmobiles, Batwing aircrafts, Bat action sets, etc., creating mountainous runs of unsold, clearance merchandise. What an example of licensing run amok! The store had more Bart Simpson dolls than I've ever seen in one place. Hordes of Dick Tracy merchandise overflowed the shelves. Why were there six colors of Yum-Yum plush dolls when four would have been sufficient?

Virtually everything in the store was marked 30% to 50% off, with no explanation. It looked like a fire sale. And, more popular items, like several Nintendo and Sega software titles and some juvenile products, were conspicuously out of stock.

The former Toys 'R' Us execs who are expected to soon take the reins must develop a clearer merchandising philosophy, one that enables Child World to meet customer expectations. And, they must put the mechanisms into place to execute their merchandising philosophy.

A big congratulations to Melissa Poe, the Tennessee school girl who founded Kids For A Clean Environment (Kids FACE). Melissa led a group of children from the Bede School in song before the United Nations' third annual Youth Forum on the Environment June 6. Wal-Mart sponsors Kids FACE, which has grown to over 300 clubs around the world. "I want to live till I'm 100 years old," the cute blonde-haired child told hundreds of young people from throughout the world gathered in the UN General Assembly. "This is *some* club," said Melissa. "We are involved. We are doing something because we care and together we can make a difference."

You're right, Melissa. It is *some* club.

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BEAUTY CARE MERCHANDISING

Teens: New Foundation of Cosmetic Buyers

Women 13 to 21 Makeup the Largest Group of Consumers for the Industry

By Jill Lettich
Nationwide DSN Report

It may burst some bubbles, but the rosy cheeks found on many young teenage girls may actually be a pink blusher.

Retailers and cosmetic manufacturers should be happy to note that in a survey of young women ages 13 to 21, more than 85% reported wearing powder-based blusher. Even more use lipstick and eye makeup consistently.

These and other statistics compiled in the Global Research/*Seventeen* magazine 1990 Cosmetic Survey reveal that young consumers are serious about looking good. They are also spending quite a bit of money to achieve that goal.

Overall, drug stores are the most popular place to buy cosmetic products and were the big winners in capturing young consumers' dollars. Discount/-variety stores came in third, behind department stores as a whole, but did manage to edge ahead in certain categories.

Discount stores rated first in purchases of eyebrow products. It followed closely behind drug stores in the purchase of nail polish, nail hardener and mascara.

According to Susan Clarke, research manager for *Seventeen*, the numbers for discount/ variety stores held their own when compared to 1989. In earlier research, discount and variety stores were separate categories so that accurate comparisons are difficult, she said.

No matter where the products were purchased, what was impressive about the latest findings was the amount of money that respondents were willing to spend to look their best.

Surprisingly, foundation was the most expensive item purchased by this young age group, averaging $7. However, a full 25% said they had actually spent $10 or more on their last purchase of foundation.

"There seems to be more of this age group going into department stores to buy some of their cosmetics," said Clarke. "That is a relatively new development that may have added to the cost of an item such as foundation."

In fact, she noted that while no one brand markets to this group specifically, it does not prevent teenagers from spending money on what is an "adult" cosmetic brand.

Spending for this age group on cosmetics, in general, was up about 3.2% from 1989. Citing the Rand Youth Poll, Alan Kalish, director of research at *Seventeen*, noted that in 1989, 13- to 19-year-old girls spent $339 million. In 1990, this age group spent $350 million. The increase occurred despite the fact that there are fewer teenagers in the population today.

Those teenage girls seem to be spending money enhancing the look of their eyes.

Of all the categories in the survey, more young women said they used eye makeup than any other product. A full 96.2% of those responding said they used some type of eye makeup. Mascara, eye liner and eye shadow were the most popular forms.

On average, however, less money was spent on this cosmetic. The price for eye shadow averaged $5.10, but 25.5% said they had spent only $3 on their last purchase of eye shadow.

The majority of respondents were also very saavy about the use of eye makeup. There were 58.6% of respondents that said they used two or more eye shawdow colors at one time. A full 25.2% said they used three or more colors at one time. There were only 16.2% that said they use only one color at a time.

According to Clarke, there are two interesting developments in the 1990 findings. There was a large increase in the use of lipstick. This seemed to be in place of lip gloss. In addition, a higher proportion of respondents are using eye liner.

Of the 90% of respondents that said they used lipstick, 51.5% said they used more than they did a year earlier. While the average price of a lipstick was $4.70, 27% did spend between $5 and $9 on their last purchase.

Pink was the lip color of choice, noted 41.6% of respondents. Following closely behind was coral (25.4%). Red, clear and the plum/burgundy/wine palette registered about 10%.

On average, $3.40 was spent on eye liner. Of the 78% of respondents that use eye liner, 34.1% reported increased use over last year.

Both the eye liner and lipstick categories were influenced by the fashion magazines. "I think you are more likely to see models in magazines wearing eye liner now, so it is more acceptable," Clarke said. "It was just not done a few years ago."

Another product area that performed well in this survey was chapped lip products. It came in second after eye makeup in total usage. The category also outpaced lipstick. There were 91.3% of respondents that use chapped lip products, and use them frequently. Of all users, 47.7% said they used these products more than once a day.

It requires a shopping spree of every two to six months to keep up with the cosmetic needs of 13- to 21-year-olds, according to the survey.

For frequently used items such as lipstick, face powder, foundation and spot cover-up,

(Continued on page 33)

Place Of Purchase Of Cosmetic Products[1]

Item	Drugstore	Department Store	Discount/Variety Store	Other*
Blusher	51.7%**	35.0%	21.0%	30.6%
Face Powder	55.1	28.2	20.8	27.6
Foundation	51.3	32.4	17.7	34.4
Cover-up	55.9	21.7	18.3	28.1
Mascara	61.0	22.4	24.5	28.7
Eye Shadow	52.4	32.4	25.8	32.1
Eye Liner	57.2	24.8	22.9	33.2
Eyebrow Product	30.3	28.3	31.7	37.7
Lipstick	57.2	40.5	21.7	44.1
Lip Gloss	59.4	23.4	24.7	45.4
Nail Polish	66.3	18.4	28.2	37.2
Nail Strengthener/Hardener	59.3	11.8	26.1	41.6

[1]Base: Users of each product
**Includes supermarkets, home agents, mail order, beauty salons, catalogs and other.*
***Percentages in each row add to more than 100% due to multiple mentions.*
Source: 1990 Cosmetic Survey conducted by Seventeen magazine and Globe Research Corp.

***Discounters/variety stores** were the third most popular place for young women to buy cosmetics, the survey said.* (DSN photo)

Cosmetic Highlights*

- For most cosmetic products, over half of the users of each type usually purchase the cosmetic in a drug store, about one-fourth buy them in a department store and about one-fourth in a discount/variety stores.
- Lipstick is worn by 90%.
- Lipstick, lip gloss and face powder are applied more frequently than other cosmetics. Half or more of the users of these cosmetics apply them more than once a day.
- Half of the users of lipstick are using this cosmetic more now than they did a year ago.
- Virtually all wear eye makeup.

**Based on females between 13 to 21.*
Source: 1990 Cosmetic Survey conducted by Seventeen magazine and Globe Research Corp.

Price Paid For Last Cosmetic Product Purchase*

Item	Average Price Paid	$10 or more	$5-to-$9	$4	$3	$2	$1
Blusher	$5.70	17.0%	22.0%	19.9%	28.1%	12.3%	0.7%
Mascara	$4.00	5.4	16.9	19.6	32.8	22.3	3.0
Eye Liner	$3.40	4.4	12.7	12.2	28.2	25.6	16.9
Lipstick	$4.70	9.9	27.0	17.1	22.4	17.5	6.1
Nail Polish	$3.20	1.4	13.0	15.9	32.1	27.9	9.7

**Base: Users of each product.*
Source: 1990 Cosmetic Survey conducted by Seventeen magazine and Globe Research Corp.

BEAUTY CARE MERCHANDISING

Teens Makeup Foundation of Market

(Continued from page 31)
purchases averaged every two months. Mascara and nail polish have a slightly longer shelf life and were only bought every three months. Eye shadow, eye liner and nail hardener had the longest life. These items were purchased only every four to six months.

Interestingly enough, a higher percentage of those that used lip gloss purchased that item more frequently than others—once a month. However, this item also averaged the lowest price. Lip gloss users spend an average of $2.90 on the product, with 30.7% saying they spent only $2 on their last purchase.

This seems to be the exception rather than the rule. With so many independent studies pointing to an increase in spending in this prime age group, cosmetic manufacturers have a glowing future to look forward to.

The survey was conducted in March 1990 with members of *Seventeen's* consumer panel. According to *Seventeen*, the panel "represents a cross section of the female 13- to 21-year-old market."

Manufacturers Touting Green

(Continued from page 32)
dors are getting involved in source reduction, Hootstein said. Although the effect of any one change is small, the cumulative affect over time "will be widesweeping," he predicted.

P&G, for example, is dropping the carton from its Sure and Secret deodorants this fall, cutting package size by 30%. P&G claims that it spent at least $7 million to strengthen the plastic case on Sure and Secret so they can survive on shelves without the protection of an outer carton.

P&G also dropped the carton on its Prell concentrate in May and will drop the carton from Head & Shoulders concentrate as of July 1.

Although dropping the carton will have no major impact on retailers, they will have to adjust their planograms to account for a slight increase in facings. On a 4-foot shelf, facings for, say Sure and Secret, might increase by one or two, Martin estimated.

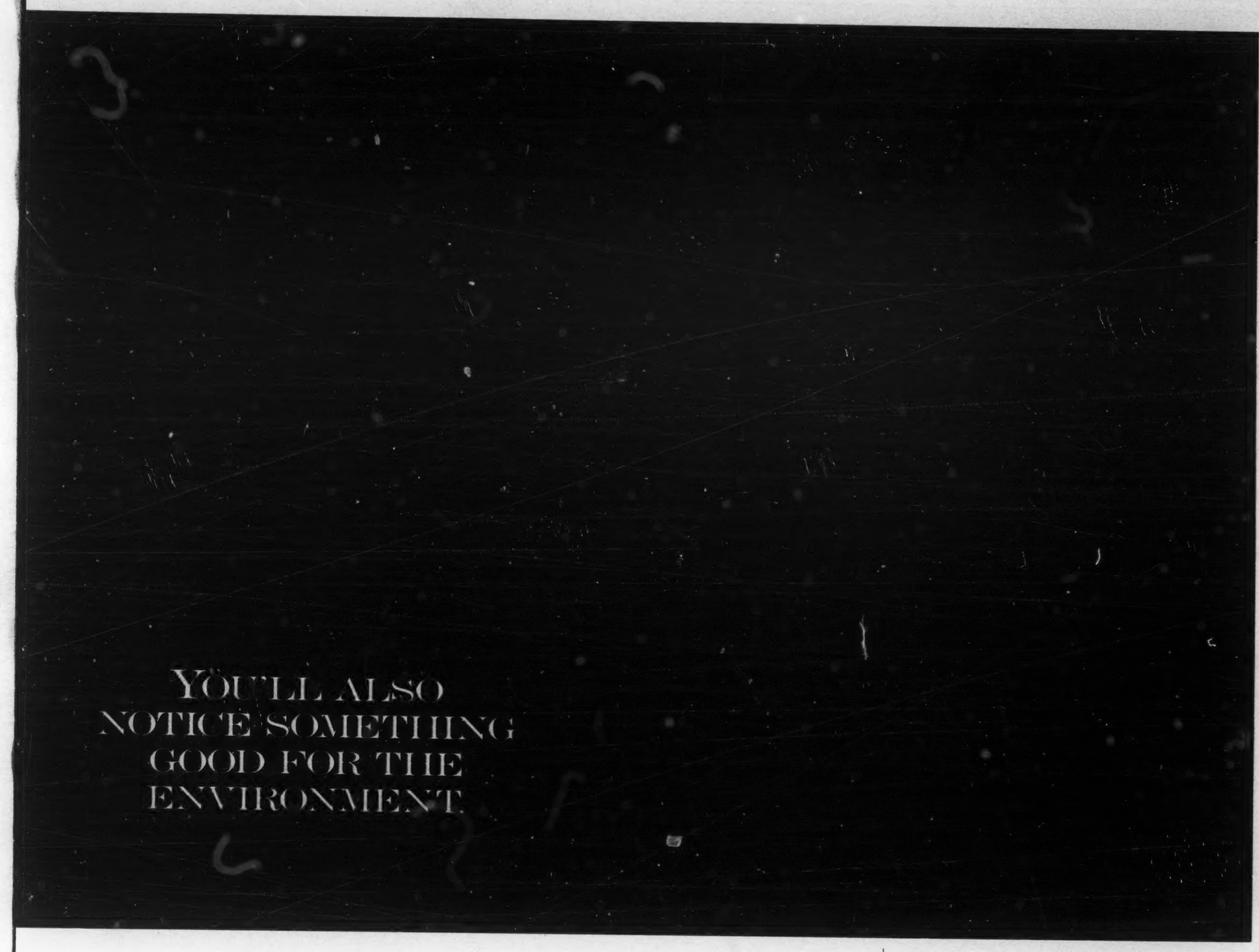
Such cartonless packaging is nothing new. Shampoo bottles never came in cartons, Martin said, nor did Mennen's Speed Stick. Faberge dropped the carton from its Power Stick deodorant two years ago.

Any product that contains an adequate selling message is a candidate for cartonless repackaging, Martin said. But where a product is too small to carry a complete selling message and product information, such as mascara, or where seals are need to protect against tampering, such as pain killers, cartons still will be needed, he said.

H&BA constitutes such a small part of the overall trash problem, compared to disposable diapers, cans and bottles and yard waste, that there isn't a major drive to reduce packaging on purely environmental grounds. H&BA packaging represents a fraction of 1% of the waste stream, Ruf estimated, compared to about 14% for grass clippings and leaves.

But H&BA brand managers are told they have to consider environmental issues when making changes, Ruf said. "They have to be worried about the environmental edge their competitors might gain."

Even though environmental marketing will result in more competition in H&BA, Ruf is not sure that it will have a major impact on brand share. "Marketing efforts will neutralize each other," he noted.



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Wal-Mart Shopping South of the Border?

(Continued from page 1)

Retailers who have stores anywhere near the Mexican border have been aware of the sales potential of the Mexican market by the high volume of cross-border shopping. McDonald's, Domino's Pizza, Subway and Arby's have already established a presence in the Mexican market—and where mass market food goes, mass market retailing can't be too far behind.

U.S. manufacturers are also alert to the growing vitality of the Mexican economy. When asked about sales to stores in Mexico, many flash a Cheshire cat smile and say, "Oh, it's *all right.*" Then, more seriously ask, "What have *other* manufacturers been telling you?" Many vendors have found Mexicans hungry for U.S. goods, but are trying to downplay the potential of this up and coming market, at least when it comes to letting their competitors know how well they're doing.

Kevin Sauder, director of marketing with ready-to-assemble furniture manufacturer, Sauder Woodworking, Archbold, Ohio, said his company is doing well in Mexico and has already completed assembly instructions in Spanish for its RTA furniture.

"We've made significant inroads into that market during the past couple years," he said. "All of international is growing quite rapidly. In fact, we've probably doubled our international sales each year for the past four years."

Tom Corbo, vice president, marketing with Manco, Westlake, Ohio, recently returned from an exploration of the Mexican economy.

"I don't know if everyone belongs in Mexico, but I know we do," Corbo said. "If U.S. retailers move down there, they will want a vendor that can act as a consultant on their team, teaching them what they've learned about the market."

Manco product is on shelves at Ace Hardware stores in Mexico and other outlets, and is expected to be stocked at some of the Mexican hypermarkets in the very near future.

Other U.S. manufacturers with product on the shelves of Mexican stores include Rubbermaid, Mead, W.T. Rogers, and Sherwin Williams (which operates a plant in Mexico).

The interest in the Mexican market is expected to become apparent by attendance levels at an upcoming Deloitte & Touche conference on the "Retailing Road to Mexico" on June 20 near the Dallas-based consulting group's headquarters. Speakers will include the Consul Generals of Canada and of Mexico; Joseph Haggar Jr., chairman of the board of Haggar Apparel, experts on Mexico from co-sponsors Deloitte & Touche and the University of North Texas.

The Mexican economy right now is a very concentrated market with roughly one-third of the population centered in the four major cities: Mexico City, D.F.; Guadalajara, Monterrey and Puebla (in that order of population). The minimum wage in 1991 is roughly $130 per month, according to research gathered by Manco's Mexican rep agency, Comercializadora ZAE. Other data reveals a population base very unlike the United States; 63% under 24 years of age.

Favorable currency rates and low cost labor have lured some manufacturers to move production to Mexico; having done so, their eyes have been opened to retail opportunities, especially with free trade with Mexico expected in the near future. The gradual flow of production into Mexico, in turn, is expected to spawn a blue collar worker class that seeks a place to spend its new income.

There are barriers to entry, especially until Free Trade becomes a reality—and most Mexican economy specialists say it *will* happen—but the question is whether it will take one year or two.

As it stands, all Mexican companies must be majority-owned by Mexicans (although one Mexican retail analyst said a form of waiver has been granted in some situations). Woolworth, for example, holds a 49% interest in Woolworth Mexicana S.A. deC.V.; the balance is held by a Mexican conglomerate, Corporacion Industrial Sanluis, S.A. deC.V. Woolworth has operated stores in Mexico for decades but during the past year or so has stepped-up its expansion. Five stores were opened last year for a total of 49.

Sears operates 41 stores in the country, seven of which are specialty store formats. According to Thurman Williams, president of Sears' Mexican division, "We're just doing super, especially during the last three years."

Thurman believes there is a "nice retail opportunity in Mexico," especially in the future.

U.S. 'Hybrid' Store Mirrors French Hypermarket Group

(Continued from page 1)

whose official name is Association des Centres Distributeur LeClerc. A.C.D. Lec. is composed of separate companies, each of which can own a few Leclerc units. The group operates like a cooperative wholesaler and did over $17 billion in sales last year, making it the biggest retailer in France and tenth largest in the world. Its 600 stores in France include 187 hypermarkets, 317 supermarkets, 51 specialty stores and 35 lawn and garden centers.

Didier Leconte, a member of A.C.D. Lec. for over 15 years and former owner of two Leclerc hypermarkets in the Normandy region of France, invested $800,000 to launch New Eldis three years ago and is its chairman and ceo. New Eldis said Leconte was the first member of the group to propose building stores outside of France that followed the Leclerc philosophy.

G.B. Glenmark is owned by its president Thomas Lenkevich, a Baltimore area food retailing executive. He had been vp of retail operations for B. Green & Co., a local food wholesalers, and prior to that president and owner of the Glenmont Food Rite in Wheaton, Md.

Invesdis Corp., a $5 million company, was funded by 200 members of A.C.D. Lec. who were interested in extending the group's concept to the United States. Leconte is Invesdis' president, while Marie-Laure Bordais is chairman and the other board members are Andre Jaud, Jean Paul Pageau and Michel Payraudeau.

While New Eldis will own a 50% interest in all Leedmarks, the company's day-to-day business, Leconte said, is to provide "general staff services" to the members of the group and to Invesdis.

Each Leedmark (or two-store venture) will have its own buyers, Leconte said, who will regularly meet to determine what goods the hoped-for chain will carry. Each Leedmark will purchase goods on its own, and can include items other stores don't carry to individualize its assortment, he added.

He said that Leedmark's unique structure should enable the venture to grow in the United States as owners of stores will only have to finance their basic operation, with Invesdis funding the real estate and building. Invesdis' income and outside funding, guaranteed by the real estate company, will be used to build stores.

The Glen Burnie Leedmark cost $26 million, $16 million for the land and building and $10 million for start-up of operations. The $10 million is for fixtures, advertising and related expenses and doesn't include the undisclosed inventory cost.

Leconte said the Baltimore/Washington market could hold about 10 Leedmarks, with future growth in contiguous areas. Baltimore was picked as the first market because it's the fifth largest in the United States, with Glen Burnie accessible to 1.5 million people within a 15-mile radius.

Meijer Returning to Cincinnati Market

(Continued from page 1)

A Meijer spokeswoman declined to comment on the planned expansion beyond confirming that the privately-held chain operates 63 stores, 60 of which are food and general merchandise combo stores.

For the Florence site, the developers also are negotiating with Bigg's for what would be its third hypermarket in the Cincinnati market, Phillips said.

After running into zoning problems in Florence, Cincinnati-based Bigg's let expire April 1 an option to buy 73 acres and build its own store in Turfway and instead shifted its plans to leasing. Carroll expects to announce by the end of the month which chain will anchor the mall. Kroger, the supermarket chain, is a third party interested in the site.

Meijer normally prefers to buy land and build stores itself, rather than lease sites.

Meijer operates about 50 of its stores in its home state of Michigan but has been making a major expansion into Ohio. It now operates 13 units in the Buckeye State, with two more set to open this summer and fall.

Meijer is pushing south along the interstates, opening five stores in the Columbus market, for example, and three in the Dayton market. It is building two more in Dayton, one of which will open this summer and the other next spring.

Besides Florence, Meijer also is considering sites north of the Ohio River in Amelia, Eastgate, Fairfield and Western Hills, *The Cincinnati Post* reported. The newspaper said that Meijer has acquired land in Indianapolis, Ind., which would make a third operating state.

But none of the Cincinnati sites are done deals, said Phillips, of Carroll Properties. Coincidentally, Phillips was in charge of real estate for Bigg's until last month.

Indicating why Meijer would be interested in Cincinnati, retail sales grew by 10% in 1990 to $1.30 billion from $1.18 billion in 1989, said Joseph Kramer, vice president for economic development of the Greater Cincinnati Chamber of Commerce. Even after adjustment for inflation, the real rate of growth was about 5%, he said, and discount stores did better than the average.

Area population grew by 5% to 1,744,000 in 1990 from 1,660,000, Kramer said.

But jobs grew six times as fast, 30%, or 170,300 jobs, to 768,000 in the same decade, Kramer. Although the recession has slowed job growth from its 1990 rate, the number of jobs still stood at 15,000 more at the end of the first quarter of 1991 than they did a year earlier, he said.

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Manufacturers Get Guide For Environmental Claims

(Continued from page 2)

gress to develop national standards for environmental marketing claims. Until that happens, follow the guidelines, the report recommends.

Specifically, the guidelines frown on such terms as "Environmentally Friendly," and "Safe for the Environment" because they imply that a product and its packaging have no adverse affect on the environment.

Another controversial claim is recyclable. The term should only be used when the product is widely recycled wherever it is sold. When it is only being recycled in parts of the country, the claim should so state, and the guidelines recommend listing an 800 number so consumers can find out where the product can be recycled.

When manufacturers claim they use recycled materials in their products, they should mean materials collected from consumers, not factory scrap that is reground and tossed back into the hopper.

Compostability is another controversial environmental claim that should only be used when the product is widely composted around the country and not when a test is being conducted, say, of disposable diapers in a couple of cities.

To obtain copies of Green Report II, write: Assistant New York Attorney General John W. Corwin, Consumer Frauds and Protection Bureau, Department of Law, 120 Broadway, New York, N.Y. 10271.

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Regional Power ShopKo Set for Public Spin-Off

GREEN BAY, Wisc. — ShopKo is the latest discounter to be spun-off by its parent, in this case Minneapolis-based grocery distributor and retailer, Super Valu.

"We intend to do a public offering of ShopKo common stock because we believe ShopKo and Super Valu will be more accurately valued by the marketplace as two distinctly capitalized business entities," said Super Valu chairman Michael W. Wright.

"Retail industry analysts and the investment community will now have a chance to track ShopKo on its own fundamentals and invest in a pure play discount merchandiser."

Super Valu plans to file a registration statement concerning the proposed IPO with the Securities and Exchange Commission within 45 days. The food giant has been frustrated by low growth in its stock, despite its ongoing strength in food distributing and retailing. Industry observers speculate that Super Valu will use whatever funds it gets from the ShopKo spin-off to acquire other food businesses.

ShopKo, rumored at one time to be a takeover target of competitor Wal-Mart, has grown to over $1.7 billion in sales through 104 stores in 1990, and is solidly profitable. Super Valu acquired the chain in 1971, when it consisted of seven locations.

Wright, speaking at Super Valu's annual shareholder's meeting in late June, said that first quarter "retail general merchandise results were gratifying" despite the soft economy. Super Valu's general merchandise group consisted of 108 ShopKo's and two Twin Valu hypermarkets (one profit-

(Continued on page 89)

ShopKo Sales and Operating Income 1986 to 1990

Year	Sales (In Millions)	Operating Income (In Millions)
1986	$ 915.4	$53.9
1987	1,072.4	61.3
1988	1,280.0	76.4
1989	1,555.9	86.3
1990	1,737.0	92.3

Source: Super Valu

Sam's, Price Club Go to Mexico

U.S. Heavyweights to Slug It Out South of the Border

By Mary Ellen Kelly
International DSN Report

The top U.S. membership warehouse club powerhouses have joined forces with Mexico's largest retailers for what could become the retail battle of the century South of the Border.

The two new warehouse club ventures will also be the first club formats on Mexican soil.

As reported exclusively by *DSN* (June 17, page 1), Wal-Mart has entered into an agreement with CIFRA, S.A., one of Mexico's largest retailers, to open its first foreign stores.

The joint venture between the United States' largest retailer and the Mexico City-based giant has "immediate plans to open wholesale clubs in the Mexico City market area," said Bentonville, Ark.-based parent of Sam's Club. The new membership clubs will be called Club Aurrera, a Wal-Mart spokeswoman told *DSN*.

Similarly, Price Club, headquartered near the Mexican border in San Diego, has entered into a joint venture with another dominant Mexican retailer, Comercial Mexicana, and expects to open its first club late this year or early in 1992. The joint venture is called Price Club de Mexico, but the name of the clubs themselves has not yet been

(Continued on page 89)

Retailers to Eye Chippers, Mulching Mowers at Expo

By Richard Halverson

LOUISVILLE, Ky. — With laws regulating the disposal of yard waste in effect in 38 states, any product that deals with getting rid of leaves, grass clippings and brush will get major attention at the upcoming Expo 91.

One of the hottest categories will be power chippers and shredders, said a Sears buyer, who asked to remain anonymous. Sears will be sending 19 merchandisers to the expo, the same as last year.

"It's an important show for us," the Sears buyer said of the annual show of the Outdoor Power Equipment Institute which runs from July 28 to 30 at the Kentucky Fair and Exposition Center, Louisville.

Sears will be looking for new features on chippers and mulching mowers, another major category of products to deal with environmental issues.

Scores of municipalities have moved to ban yard wastes from dumps. Homeowners either have to compost their own leaves and grass or pay somebody to pick it up for composting.

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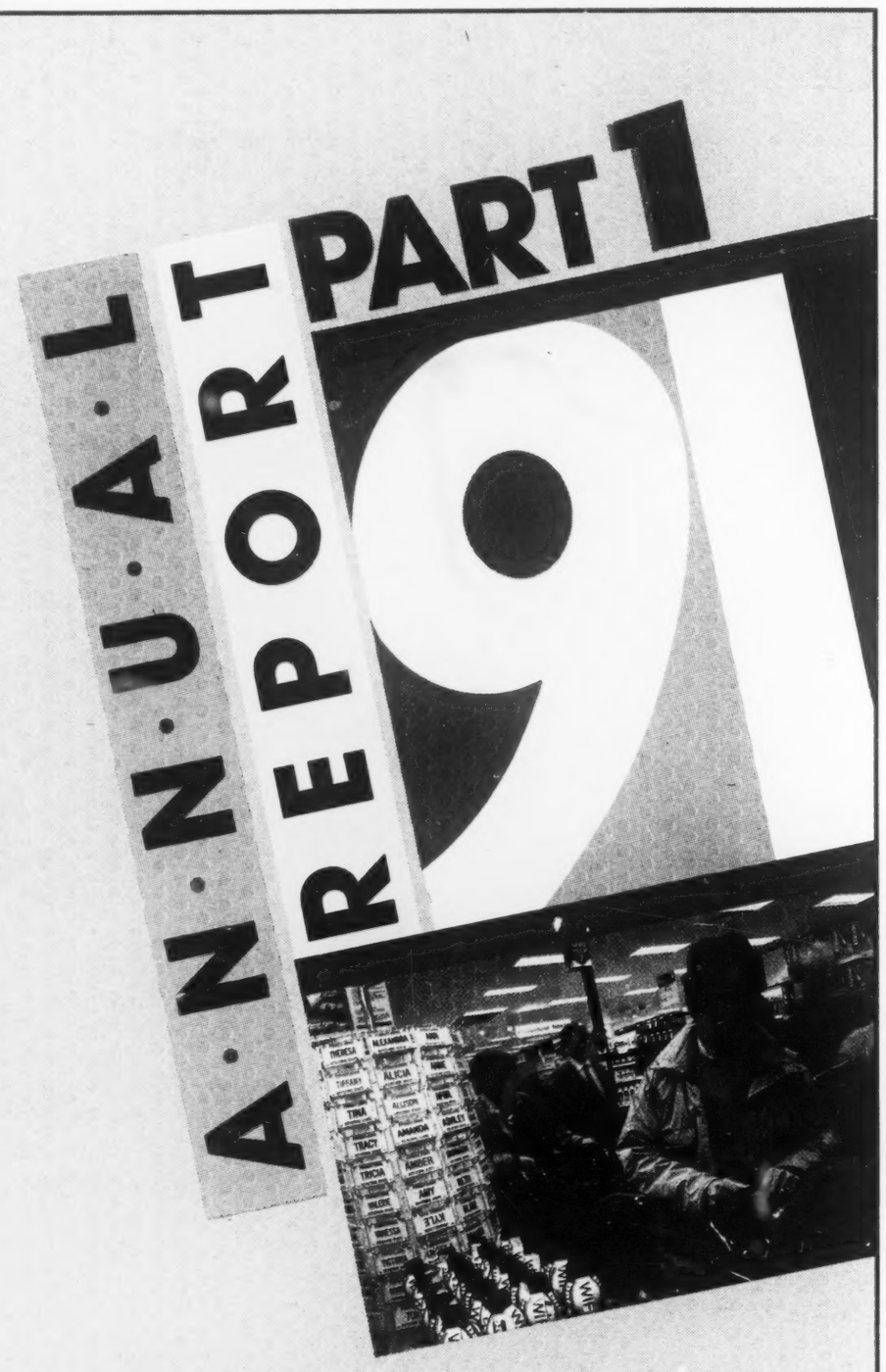

Low-Price Chains Thrive in Recession

The $157.4 billion discount retail industry grew a healthy 7.4% last year, despite a war and recession that sabotaged the 1990 holiday selling season. The lingering effects of the 1990 recession kept sales soft throughout the first half of 1991, but with recovery expected in the second half, *DSN* projects that discount sales will approach $170 billion this year.

***DSN*'s Annual Report on the Discount Industry provides the most accurate and comprehensive look at the state of discount retailing today. At its core is the industry's only Top 150 list of discount retailers, a compilation of sales, operating income, and store counts (including projected openings) of the nation's largest full-line discount stores, membership warehouse clubs, specialty discounters, off-price apparel chains, dollar discounters, hypermarkets, closeouters, electronic retailers and specialty mass retailers (Sears and Ward).**

A look at *DSN*'s Top 150 reveals that despite the difficult economy, there were more winners than losers last year. A total of 117 chains registered sales gains in 1990, compared to only 25 that reported declines. Sales were flat at eight chains, *DSN* discovered. That's just one of the hundreds of insights to be found in this very special statistical report that begins on page 23.

Part II of *DSN*'s Annual Report on the Discount Industry (coming Aug. 5) is equally informative. It provides departmental sales, turns, gross margins, and other productivity data on 14 merchandise categories; sales per store and sales per square foot data on the leading chains; a state-by-state listing of discount stores, and more.

MARKETWATCH

Price Changes Mind, Closes Buffalo Site

SAN DIEGO — The Price Club has closed its company-owned 115,000-square-foot store in the Buffalo, N.Y., suburb of Cheektowaga and leased the site to Kmart for a Builders Square. Price Club originally planned to close the club in March (see *DSN*, Feb. 18, page 2) but "reconsidered" the decision shorty after it was announced in February due to community support for the unit. Robert E. Price, chief executive officer, said "the progress we hoped for didn't materialize," adding that "we were able to quickly lease the building. The net result for the company will be to convert a current loss . . . into an income producing property."

Newmark & Lewis Closes 11 N.J. Stores

HICKSVILLE, N.Y. — Newmark & Lewis has announced the closing of 11 of the 14 New Jersey stores it acquired last year from Brick Church for $7.8 million. The company cited high expenses coupled with a recessionary economy, and noted that the New Jersey stores had been responsible for nearly $2 million in losses in fiscal 1991, virtually wiping out the company's overall profit for the year. The stores averaged about $4 million each in annual sales, roughly Newmark & Lewis' chainwide average.

Court Ruling Lets 'Genie' Out of Bottle

SAN FRANCISCO — Federal judge Fern Smith has ruled in favor of Galoob Toys and against Nintendo in a court battle over Galoob's Game Genie, which effectively allows Nintendo players to reprogram their games to enhance or simplify game play. Nintendo charged that Game Genie violated its patents; Galoob responded that if modifying software violates patents, shuffle-play compact disc players, slow motion buttons on VCRs and similar software-modifiers would also technically be illegal. Judge Smith is expected to issue the full decision within two weeks.

Dave Glass to Speak at Texas Symposium

DALLAS — Wal-Mart's president and chief executive officer David Glass will be a featured speaker at a symposium sponsored by Texas A&M's Center for Retailing Studies Oct. 24 and 25. The symposium, which will be held at the Adolphus hotel in downtown Dallas, will also feature Neiman-Marcus president and ceo Terry Lundgren; Harley-Davidson ceo Richard Teerlink; Sonic Corp. ceo Steve Lynn and Mary Kay Cosmetics president Richard Bartlett. For info, contact Lucy Morgan at (409) 845-0325.

NHMA Names New PR Director

ROSEMONT, Ill. — Gary Bergland has been named director of communications for the National Housewares Manufacturers Association, succeeding Kimberly Rawn who resigned to pursue other interests. Bergland joined the housewares association from Chicago-based Communications Research and Development Corp. where he worked for the past 12 years, most recently as vice president of marketing.

APAA Show to Follow 1990's Schedule

CHICAGO — The Automotive Parts & Accessories Association will keep the same hours for its 1991 show as it did in 1990. The show will encompass 24 hours spread over three days from Tuesday through Thursday, October 8 to 10. The show hours will be: Oct. 8 and 9, 9 a.m. to 5:30 p.m., and Oct. 10, 9 a.m. to 4 p.m. Prior to 1990, the show ran for four days. For information, call: William T. Glascow, (708) 333-9292.

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Vol. 30, No. 14 July 22, 1991

Overhaul Slated for Child World

AVON, Mass. — Child World is focusing on improved marketing and merchandising strategies to return the beleaguered chain to profitability.

The toy chain's two chief executives, W. John Devine and Ronald Tuchman, also intend to improve Child World's infrastructure now that the 150-unit toy chain is owned by Avon Investors Limited Partnership.

"We intend to build and improve the company's infrastructure and market position through operating efficiencies, increased advertising and marketing in a policy of everyday low prices, with improved merchandise selection and availability," said Tuchman, chief operating officer.

After a year-long effort to sell the chain, Child World was finally sold by CNC Holdings June 27 to an investment group led by Avon, an entity created by the Thomas H. Lee Co.

As with CNC Holdings, Avon owns just 82% of the chain. The remaining 18% is publicly held. The balance of ownership could change substantially over time should Child World successfully restructure itself according to its plan and if all subsequent warrants, options and conversion rights granted in the transaction are exercised.

According to Child World, should plans work out, Avon will wind up with a 36.58% interest in Child World. The banks or their affiliates would own 21.03%, while management—principally Devine and Tuchman—would hold 17.5%. The remaining stock would be held by the trade, public and Executive Life Insurance.

The sale, whose total value has not been disclosed, includes a restructuring of the toy chain's trade and bank debt and a comprehensive repayment schedule to those sources.

With CNC Holdings, the deal was largely a debt swap.

(Continued on page 90)

Target to Introduce Small Market Stores

MINNEAPOLIS — Target will open 19 stores on a single day this month, including its first two Small Market (SM) units designed to allow the upscale discounter to expand into areas previously considered too small for full-sized Targets.

The 1991 openings include six Target Greatland stores (with three of the supersized general merchandise units going into Columbus, Ohio, a new market for Target), and 18 conventional Targets in Florida.

Target will end 1991 with 463 stores including three SM units and seven Greatlands.

The first two SM units will open July 28 in Willmar and Brainard, Minn. The stores feature the same items as a typical Target. Slightly smaller, at 90,000 square feet, they are located in areas of 50,000-plus people, said George Hite, vp, public and consumer affairs.

To the consumer, the stores will look exactly like the 100,000-square-foot Targets in larger, metro markets, Hite said. The difference is in the size of the chain's investment, in both real estate and construction costs, which are lower. Sales, too, are projected to be lower from these SM stores than from larger, metro stores, but the returns will be the same as for any Target, Hite noted.

A third SM unit will open Oct. 13, in Bimidji, Minn., completing Target's 1991 SM test program for the year.

Target will also open 14 stores in Florida, bringing the state count to 20. The discounter entered Florida last year with six stores, the result of its Richway acquisition from now-defunct Gold Circle. Next week's Florida openings will break new markets for Target, including Orlando and Tampa. Also opening next week are three more Minnesota Targets.

Target will open 24 units Oct. 13, including six Greatlands. The three Greatlands in Columbus will constitute Target's 1991 program for that market. No regular Target stores will open there right now. Hite said Target feels the Columbus market can support one more Greatland store but no opening date has been identified. Also Oct. 13, Target will open two Greatland's in the Twin Cities area and one in Springfield, Ill.

Jack Bush Joins Michaels Stores

IRVING, Texas — Jack Bush has joined a premiere U.S. crafts specialty chain—Michaels Stores—as president and chief operating officer.

Bush is a veteran discount executive, most recently as executive vp, operations and stores for Ames, and as president of Rose's Stores.

Bush succeeded Donald Thomson who was hired as Michaels' president last August. Shortly after joining Michaels, Thomson was diagnosed with cancer but will still work as a director and consultant while undergoing treatment.

"I am very excited about getting into the crafts business," Bush told *DSN* in an exclusive interview from Bermuda where he was vacationing before returning to his new home in Texas.

(Continued on page 4)

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EDITORIAL

New Sears: A Specialty Mass Retailer

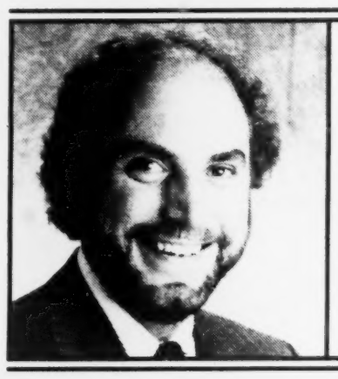
As you read this special issue—*DSN*'s annual statistical report—you will notice several additions to what is already recognized as the most comprehensive analysis and source of data about the discount retail industry.

This special issue contains the vital stats of *all* top chains in every segment of discount retailing, not merely one or two chains from a segment or two pulled together in one chart with no apparent rhyme or reason. The data includes sales, operating income, and store count. In addition, major trends, including mergers and acquisitions, are reviewed in each segment analysis.

Also added this year was a complete financial analysis of public companies in the discount retail field (see page 81).

Another highlight of this year's annual report is that for the first time ever, Wal-Mart is officially ranked as the largest discount retailer.

But, perhaps to some readers what may be the most significant change—and to others what may be the most controversial—is the addition of Sears to the *DSN* Top 150 list of discount retailers.



TONY LISANTI
Editor

Is Sears a discounter? Is Sears a specialty retailer? Does this troubled behemoth belong on a list ranked among Wal-Mart, Kmart, Target and Toys "R" Us?

These are only a few of the questions that I am sure many *DSN* readers will have about Sears. The answer is "yes" to all the above questions. Here are some of the key factors that put Sears into the "discount" classification. In fact, Sears and Montgomery Ward are now officially categorized as "specialty mass retailers."

- Superstore format. Montgomery Ward was added to *DSN*'s Top 150 ranking of discount retailers two years ago. At that time, *DSN* reported the breakup of the triumvirate of the three mass merchants—Sears, Penney and Ward. *DSN* stated that comparing the three retailers was no longer a valid comparison because the chains had changed their formats significantly. Penney went upscale and distanced itself from the mass market. Montgomery Ward was added to *DSN's* Top 150 because it created several power formats within the store that make it more competitive with specialty discounters. It's obvious that Sears has also adopted the discount specialty store format. Its Brand Central concept, for example, is positioned as much as a specialty electronics store as Circuit City is.
- Value. The term discount now has the connotation of "value." And Sears is certainly positioned as a "value-driven" retailer;
- EDLP. Sears' everyday low price strategy has enabled the retailer to compete more aggressively with other discounters;
- Discount store strategies such as "Dollar Days" have been promoted heavily in recent months and will continue to be utilized simply because they work;
- Other factors that justify classification of Sears under the discount retailing umbrella include a significant increase in national brand name merchandise (the company has been described as a "brand name discounter"), a centralized buying staff, a streamlined organization and a likely evolution towards a more self-service environment.

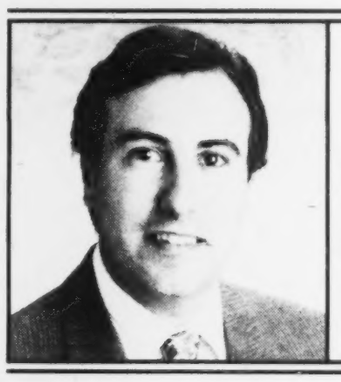
But more important than how *DSN* or anyone categorizes the giant retailer is whether the consumer accepts the "new" Sears. And while Sears may be decidedly discount, it's still struggling.

BUYERS & SELLERS

Despite Attrition, Discounting Rolls Ahead

One of the most often used, and most misleading, statements about discount retailing concerns the number of former chains that no longer exist. At numerous conventions and seminars, you've heard the statement, uttered with solemnity so as to strike fear into the heart of even the most level-headed executive: "Of the Top 10 discounters of 19-- (fill in the year), only - (fill in appropriate number: 2-to-6) are still in business today!"

Their figures may be accurate. What's misleading is the hypothesis they try to support: discount retailers belong on the endangered species list.



DON LONGO
Exec Editor

It is true that only five of the Top 10 discounters of 1980 still exist today. But, the Top 10 discounters of 1990 (excluding Sears and Montgomery Ward) each generated more sales than the $2.8 billion reported by Woolco a decade ago.

Ten years ago, the warehouse club industry didn't even exist. Other forms of discounting weren't even a twinkle in the eye of some retail innovator. Today, four warehouse clubs are among the Top 15 discount retailers in the nation. New concepts like hypermarket/supercenters, office supply superstores and sporting goods megastores are rapidly gaining market share. Warehouse auto supply stores are currently in their infancy and the success of chains like Best Buy and BrandsMart with bulked-out consumer electronics concepts is sure to spawn imitators.

The point is this. In any industry there's going to be a certain amount of attrition. Companies go out of business for many reasons. Usually they stray from their original successful concept, or they fail to anticipate the changing needs of their customer base. Rather than mourn the failure of a few, I applaud the long-term success of the many:

- Like Wal-Mart, which became the nation's leading discounter in 1990, with a 21.5% sales gain;
- Kmart, the company that dominated discount retailing like no other for nearly two decades, plans to have 60 net additional stores by the end of the year. Those new units, plus the conversion of smaller stores to Kmart's new better-performing prototype, is sure to keep Wal-Mart from getting complacent about its new title;
- Target's sales leaped 8.8% last year, and the chain plans to add 43 net new units this year. The opening of Target's Greatland unit, the largest general merchandise discount store in the country, capped a terrific year for the chain;
- Sam's Club was a key to Wal-Mart's rise to total corporate sales leadership among retailers. Wal-Mart's membership club division is now intent on carving out its own identity from the discount store arm and shows no signs of letting up;
- Price Club still generates the highest per-club sales in the industry, and an accelerated expansion program will keep the warehouse club industry's grandfather on Sam's heels for many years to come;
- Toys 'R' Us, Costco, Meijer, Fred Meyer, Circuit City, Pace, Marshalls, T.J. Maxx, Caldor, ShopKo, Payless N.W. and Venture all stood out for impressive sales gains among the Top 25 discount retail chains.

However, 10 years from now, the accomplishments of the top chains of the year 2000 will dwarf today's top retailers.

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ANNUAL REPORT PART 1

The $157.4 billion discount retail industry grew a healthy 7.4% last year, despite a war and recession that sabotaged the 1990 holiday selling season. The lingering effects of the 1990 recession kept sales soft throughout the first half of 1991, but with recovery expected in the second half, *DSN* projects that discount sales will approach $170 billion this year.

DSN's Annual Report on the Discount Industry provides the most accurate and comprehensive look at the state of discount retailing today. At its core is the industry's only Top 150 list of discount retailers, a compilation of sales, operating income and store counts (including projected openings) of the nation's largest full-line discount stores, membership clubs, specialty discounters, off-price apparel chains, dollar discounters, hypermarkets, closeouters, electronic retailers and specialty mass retailers (Sears and Ward).

A look at *DSN*'s Top 150 reveals that despite the difficult economy, there were more winners than losers last year. A total of 117 chains registered sales gains in 1990, compared to only 25 that reported declines. Sales were flat at eight chains, *DSN* discovered. That's just one of the hundreds of insights to be found in this very special statistical report. Read on.

Low-Price Chains Thrive in Recession

The old adage that discount stores thrive in recessionary times was put to a test last year.

On the surface, that seems like a logical theory. Discounters that stress low prices when consumers are more price-conscious than usual should outperform full-price retailers.

In practice, the theory held true for many of the nation's leading discount retailers. Wal-Mart (which along with its Sam's Club division became the world's largest retailer last year), membership warehouse clubs, several off-price apparel chains, dollar discount stores and closeouters particularly benefited from economic conditions last year.

(Continued on page 29)

Discount Industry Sales[1]

	Sales (In Billions)	Percent Change
1987	$127.4	—
1988	137.4	+7.8%
1989	146.5	+6.6
1990	157.4	+7.4
1991 proj.	168.9	+7.3

[1]*Includes full-line discount dept. stores, hypermarkets, dollar discounters, closeouters, catalog showrooms, apparel off-pricers, warehouse clubs and specialty discounters.*

Source: DSN *research*

Full-Line Discount Department Stores[1]

	Sales (In Billions)	Percent Change
1987	$79.8	—
1988	83.7	+4.8%
1989	87.2	+4.1
1990	92.0	+5.5
1991 proj.	96.8	+5.2

[1]*Includes hypermarkets, dollar discounters and closeouters.*

Source: DSN *research*

Catalog Showrooms

	Sales (In Billions)	Percent Change
1987	$6.9	—
1988	7.2	+4.3%
1989	7.5	+4.1
1990	7.2	(4.0)
1991 proj.	7.1	(1.3)

( )—Loss *Source:* DSN *research*

Specialty Discounters

	Sales (In Billions)	Percent Change
1987	$19.0	—
1988	22.1	+16.3%
1989	23.4	+ 5.8
1990	24.8	+ 5.9
1991 proj.	26.5	+ 6.8

Source: DSN *research*

Apparel Off-Pricers

	Sales (In Billions)	Percent Change
1987	$ 9.9	—
1988	10.5	+ 6.0%
1989	11.0	+ 4.7
1990	12.0	+ 9.0
1991 proj.	13.2	+10.0

Source: DSN *research*

Warehouse Clubs

	Sales (In Billions)	Percent Change
1987	$11.8	—
1988	13.9	+17.7%
1989	17.4	+25.1
1990	21.4	+22.9
1991 proj.	25.3	+18.2

Source: DSN *research*

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METHODOLOGY

Discount Store News' Annual Report on the Discount Industry is the most comprehensive, accurate, and most widely quoted study on discount retailing. Part I reports sales, operating profits, and store count information on the top 150 discount retailers in the United States. *DSN's* Top 150 list includes discount department stores, warehouse clubs, catalog showrooms, hypermarkets, off-price apparel chains, dollar discount stores, closeout store chains, multidepartment specialty mass retailers, and special discounters in toys, sporting goods, office supplies, consumer electronics and the automotive aftermarket. Separately, the report also profiles the associated mass retail segments of variety stores in addition to deep discount health & beauty aids chains.

The data for this issue was compiled from company annual reports, filings with the Securities and Exchange Commission and phone calls to more than 200 of the nation's leading chains. In instances where estimates were made, *DSN* relied upon its knowledge of the company, historical performance and other sources. This year's report contains some changes from last year's because some firms chose to update the figures they reported last year. *DSN* published only the updated figures. Other changes in classifications of retailers (such as when a chain alters its merchandising philosophy and is reclassified into a different retail segment) may also affect previously reported figures.

Low-Price Chains Thrive in Weak Economy

(Continued from page 24)

Office supply superstores, despite consolidation in their ranks, also grew as the youngest of the new specialty retail segments and still appears to have ample room to grow. The megastore segment of the sporting goods market also blossomed at the expense of the more traditional retailers.

Nevertheless, tough economic conditions and heavy debt loads squeezed the life out of several traditional stores that failed to adjust to the changing market conditions suffered. Ames, Hills, Best Products and many other catalog showroom chains, and some consumer electronics retailers hit hard times last year.

Seven discount retailers filed for Chapter 11 protection from creditors in 1990, including discounting's largest bankruptcy: Ames, with more than 680 stores, which went Chapter 11 in April.

Another casualty of 1990 was S.E. Nichols, which has abandoned the traditional full-line discount store concept for the hot deep discount H&BA arena. The New York-based chain sought protection in March.

For the retail industry, Christmas 1990 was one of the most disappointing in memory. Holiday cheer was scarce at Stuarts, another chain which filed for Chapter 11 in December.

1991 got off to an inauspicious start. First, Enstar took its 67 Bargain Time variety stores and 255 Simply Six off-price apparel units into Chapter 11.

Also in January, the 195-unit catalog showroom chain, Best Products, filed for Chapter 11, followed a month later by the Chapter 11 filing of 186-store Hills, which is one of the discount industry's oldest retailers.

The last vestiges of Heck's, another venerable discounter, may disappear soon as L.A. Joe's, a new entity created by the company that acquired Heck's last year, went Chapter 11 in April and is now apparently closing its doors forever.

Just last month, Lionel Leisure's Kiddie City toy chain became the latest casualty.

Despite the recession of 1990, the top 10 discount retailers in the nation enjoyed a 9.8% sales increase. These 10 retailers—Wal-Mart, Kmart, Sears, Target, Sam's Club, Price Club, Montgomery Ward, Toys "R" Us, Costco and Service Merchandise generated $106.2 billion in sales in 1990, or 60% of the $179.1 billion in total sales racked up the the Top 150 discount retailers.

Discount industry sales, including full-line discount department stores hypermarkets, dollar discount stores, closeouters, catalog showrooms, apparel off-pricers, warehouse clubs and specialty discounters, grew to $157.4 billion in 1990, a rise of 7.4% over 1989.

The fastest growing segment of discounting was warehouse clubs. Warehouse club sales grew 22.9% to $21.4 billion last year. Apparel off-pricers, benefiting from the flight from full-price department stores, grew by 9% to $12 billion last year.

Specialty discounters, as a group, climbed 5.9% to $24.8 billion in 1990. However, results were mixed both within each segment and across segments. In general, office supply and sporting goods megastores were the big winners; CE chains and automotive aftermarket stores struggled.

Full-line, multidepartment discount stores, including hypermarkets, dollar discounters and closeouters, achieved $92 billion in sales in 1990, a 5.5% increase over 1989's $87.2 billion in sales.

Catalogers were most heavily hit in '90, with sales dipping by 4% to $7.2 billion.

Although 1991 started out as a continuation of the sluggish second half of 1990, *DSN* sees signs that the economy has bottomed out and that retail sales will pick up steam in the second half.

Total discount industry sales should increase by 7.3% this year, to $168.9 billion. *DSN*'s segment projections are as follows:

- Full-line discounters, $96.8 billion, up 5.2%;
- Catalog showrooms, $7.1 billion, down 1.3%;
- Apparel off-pricers, $13.2 billion, up 10%;
- Warehouse clubs, $25.3 billion, up 18.2%;
- Specialty discounters, $26.5 billion, up 6.8%.

Chapter 11 Bankruptcies

Chain	Date of Filing	Units at Filing
Lionel Leisure	June 1991	96
L.A. Joe's	April 1991	76
Masters	Feb. 1991	35
Hills	Feb. 1991	186
Best Products	Jan. 1991	195
Enstar[1]	Jan. 1991	322
Stuarts	Dec. 1990	23
Club Wholesale	Nov. 1990	2
Jewelcor	Oct. 1990	6
S.E. Nichols[2]	March 1990	34
Action Auto	June 1990	68
Ames[3]	April 1990	681
Casual Male Corp.[4]	April 1990	308

[1]Enstar operated 67 Bargain Town variety store units and 255 Simply Six off-price apparel stores at time of filing.
[2]S.E. Nichols: Filed for bankruptcy reorganization May 1991.
[3]Ames: Filed for bankruptcy reorganization June 1991.
[4]Casual Male Corp.: Big & Tall, surviving division of Casual Male Corp., acquired by J. Baker, Inc. out of bankruptcy, Feb. 1991.
NA: Not available

Source: DSN research

IPOs Eclipse LBOs as Restructuring Gambit

In a swift development in the first half of 1991, the stock market stamped IPO (initial public offering) all over the retail restructuring picture.

In sharp contrast to last October, when the May Department Store Co. had to give up trying to sell a 15% stake in Venture, investors were falling all over themselves this spring to buy shares of new retailing issues such as AutoZone, Filene's Basement and Value City, which Schottenstein Stores took public.

A total of eight discounters went public in the period, a jump from three in the previous 18 months.

The boom in IPOs and an attendant decline in leveraged buyouts, along with the anticipated shakeout in the office products category and consolidation in the wholesale club segment were the dominant trends in retail restructuring over the past 18 months.

The pace of mergers and acquisitions picked up with 18 chains changing hands, compared to 12 in the previous 18 months. Nine discounter chain names disappeared when purchasers of chains converted them to their own merchandising formats and chain names.

Combined with seven chains that liquidated and a chain that switched from full-line to deep drug discounting, the chain conversions meant that 17 chain names departed over the past year and a half.

The largest chain to disappear was the 330-unit Circus World, which Greenman Bros. sold to Melville Corp. last August for conversion to Kay-Bee toy stores.

In the latest restructuring, the owners of the Child World toy chain found buyers for the money-losing chain after two previous investor groups either failed to put together deals or backed out. Meanwhile, Child World's store count slipped to 150 from 182.

Moreover, the 13 discounters that filed for Chapter 11 bankruptcy over the past 18 months, including Lionel Leisure last month, Hills Department Stores in February and Best Products in January, threatens to contract the number of different chains even more in the months ahead.

The IPO of Pamida last fall, along with the failed Venture IPO, illustrates how swiftly Wall Street's view of IPOs, including those of retailers, turned around this spring.

Pamida had hoped to raise as much as $58 million, at $16 a share for 4 million shares, to pay down debt on its balance sheet and fund expansion. Instead, it had to settle for a 1.5 million share sale of insider stock at $5 a share, or $7.5 million. And the entire proceeds went to LBO investors, who cashed out their profits on stock bought at 20 cents a share. None of the money went to improve retail operations.

Similarly, May had hoped to raise $42.5 million through an IPO to clean up Venture's balance sheet—and realize a greater gain from the divestiture—before it spun off the chain. When the market spurned the idea, May spun off 100% of the company last November to its stockholders. That still made Venture a public company but did nothing to reduce its heavy debt load.

In sharp contrast, investors gave Kohlberg Kravis and Roberts a roaring welcome when it took AutoZone, an auto parts chain, public this May by selling a 10% stake at $23 a share, for a total of $84.8 million to be used to pay down debt. KKR had expected $19 to $21 a share.

On the downside of automotives, though, Northern Automotive liquidated its Crown Auto chain acquired for $8 million in 1988 when it operated 57 stores, selling what stores it could and closing the rest.

Investors also stood in line during the month of May to purchase shares in Filene's Basement. The off-price apparel retailer raised $70 million by selling a 24.3% stake. And Schottenstein Stores readily sold a 25% stake in Value City Department Stores to raise $64 million.

***Wal-Mart's purchase** of The Wholesale Club (above) for its Sam's division was one of the largest retail acquisitions of 1990.* (DSN photo)

Caldor represented the largest IPO of the period when its owners, Odyssey Partners, which had acquired the chain from May Department Stores for $552 million in August 1989, sold a 30.7% stake for $108 million. Caldor fetched $21 a share, against an expected $17 to $19.

Although $31 million of the proceeds went to insider stockholders as they cashed out their profits, Caldor got $70 million, net after commissions, and used $61 million to reduce debt and short-term borrowings.

In contrast to the boom in IPOs, the number of LBOs dwindled to three, all fairly modest. The largest was the $115 million LBO of Whitlock Auto by Merrill Lynch Capital Partners, while the management-led LBO of Prange Way represented $35 million of debt and equity. The management of dot Drug, a 14-unit chain, bought it from Wal-Mart for an undisclosed sum.

For a single category, office products accounted for the largest number of restructurings, nine. They were: two liquidations, Office Stop and HQ Office Supplies Warehouse; five mergers and acquisitions that eliminated two chains when Office Max swallowed Office Square and Office World; a $22 million initial public offering by OW Office Warehouse; and a new en-

(Continued on page 32)

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DISCOUNT INDUSTRY ANNUAL REPORT

IPOs Eclipse LBOs as Restructuring Gambit

(Continued from page 29)

trant, Club Wholesale, which converted its concept to office products from general merchandise and food.

Kmart, as it did in sporting goods, threw in the towel on its new office products chain, Office Square. Kmart acquired Sports Authority in March 1990 and melded its Sports Giant launch into the acquired chain. Similarly, Kmart sold Office Square to OfficeMax in exchange for a 22% stake in the retailer.

Two of the office product restructurings were mergers, and both chain names survive in the pairings of: O.P. Club with The Office Place and Office Club with Office Depot.

The latest of the office products acquisitions was an outright financial play when Intelligent Electronics acquired last month the 59-unit BizMart chain for $192 million.

In attempts to stave off bankruptcy, Club Wholesale converted its two general merchandise and food warehouse units to an office products merchandising concept called Club Wholesale Office Supply Warehouse. The effort failed, however, and Club Wholesale declared Chapter 11 bankruptcy last November, closing one unit.

The Wholesale Club was one of the 17 chain names to disappear when Wal-Mart acquired it for $172 million last November and converted its 30 units, including three under construction, to Sam's Club.

The wholesale club industry consolidated another notch in January 1991, when Kmart acquired Price Savers' 15 units for conversion to Pace.

Besides Club Wholesale, two other chains changed their merchandising concepts and landed in Chapter 11.

S.E. Nichols gave up on full-line discounting in March 1990, converting 19 of its 34 remaining stores to a deep discount drug concept it called Pharmhouse and closing the rest. But S.E. Nichols declared Chapter 11 in March 1991.

The failure of a third remerchandising came to light this April when the parent corporation that owned L.A. Joe's, Nitro, W. Va., declared Chapter 11. Its corporate parent, Retail Acquisition Corp., an entity founded by Jordache Enterprises and the three Nakash brothers who own Jordache, acquired the 55 remaining Heck's stores out of bankruptcy in March 1990 by assuming $80 million in debt.

Jordache renamed Heck's L.A. Joe's after one of its brands and switched to a largely closeout concept featuring Jordache apparel. Jordache Enterprises sold the operation to other investors in February, and the new owners filed Chapter 11 two months later.

The largest chain liquidation during the last 18 months was that of the 200-unit Bargain Time closeout chain launched by the parent of McCrory Stores using cast-off units the TG&Y variety store chain it had acquired.

Bargain Times' parent folded Bargain Time last fall less than two years after it founded the chain.

Another full-line discounter, 55-unit Sky City, folded in January 1991 after a deal by its financially troubled parent, Interco, to sell the chain failed.

Besides the sales already closed, two other announced restructurings are pending.

Carrefour, the French hypermarket chain that operates one unit in Philadelphia and is building a second, proposed late last month to acquire Euromarche, another French hypermarket chain, for $820 million. Euromarche heads a venture, Hyper Shoppes, that owns the four-unit Bigg's hypermarket chain, Cincinnati, Ohio. Another partner in Bigg's is Super Valu, the supermarket parent of the ShopKo discount store chain and Twin Valu hypermarkets.

In addition, National InterGroup announced in March that it plans to spin-off to shareholders its Ben Franklin variety stores after failing to get an acceptable offer since last fall.

As a promise of more restructurings to come, the Canadian owners of Smitty's, put it on the block last month.

***Upon acquiring Sports Authority** in March 1990, Kmart melded it with its new sporting goods specialty chain, Sports Giant.* (DSN photo)

Retail Restructurings Since January 1990

Mergers and Acquisitions

Acquired Chain	Acquirer	Date	Units	Price	Fate of Chain
Child World	Avon Investors	6/91	150	NA	Name Unchanged
BizMart	Intelligent Electronics	6/91	59	$192 million	Name Unchanged
O.P. Club	The Office Place	5/91	19	NA	Both names survive
Big & Tall[1]	J. Baker	2/91	170	NA	Name Unchanged
Price Savers	Kmart	1/91	17	NA	Converted to Pace
Office Club	Office Depot	12/90	51	140	Both Names Survive
Towers	Zellers	11/90	51	100	Folded into Zellers
The Wholesale Club	Wal-Mart	11/90	30	172	Converted to Sam's Clubs
Office Square	Office Max	11/90	7	NA	Folded into Office Max
Circus World	Melville Corp.	8/90	330	95	Folded into Kay-Bee Toys
Tons of Toys	Merchants West	8/90	21	NA	Name Unchanged
Toy King	Value Merchants	5/90	20	NA	Folded into Toy Liquidators
Maxway	Variety Wholesalers	4/90	35	4.3 million	Name unchanged
Office World	Office Max	4/90	7	NA	Folded into Office Max
Sports Authority	Kmart	3/90	8	65	Name unchanged
Gee Bee[2]	Schottenstein Stores	3/90	35	39.6	Name unchanged
Brick Church	Newmark & Lewis	3/90	17	7.8	Folded into Newmark & Lewis
Heck's	Jordache Enterprises	3/90	60	80	Converted to L.A. Joe's[3]

[1]Big & Tall men's store division acquired out of bankruptcy from Casual Male Corp.
[2]Includes 17 units of Gee Bee and 18 units of Dollar Bargain closeout chain acquired out of Chapter 11 bankruptcy.
[3]Purchaser of chain from Jordache declared Chapter 11 bankruptcy April 1991.
NA: Not available

Initial Public Offerings

Public Chain	Date	Public Stake	Amount Raised
Hi/LO Automotive	June 1991	33.5%	$ 38 million
Filene's Basement	May 1991	24.3%	70 million
Value City	May 1991	25%	64 million
AutoZone	May 1991	10%	85 million
OW Office Warehouse	May 1991	46.5%	23 million
Caldor	April 1991	30.7%	108 million
Pamida	Sept. 1990	30%	7.5 million
Auto Depot	August 1990	80.1%	10 million

Chain Spin-Off

Venture Nov. 1990 100% by May Dept. Stores Co. $262.5 million

Leveraged Buyouts

Chain	Date	Units	Value	Purchaser
Prange Way	August 1990	24	$ 35 million	Management-led LBO
Whitlock Auto[1]	August 1990	275	115 million	Merrill Lynch Capital Partners
Dot Drug	Feb. 1990	14	NA	Management-led LBO

[1]Includes Whitlock Auto, Rose Auto Stores and R&S Strauss chains.
NA: Not available

Merchandising Concept Changes

Old Chain Name	New Chain Name	New Concept	Units	Date
S.E. Nichols	Pharmhouse	Deep Discount Drug	19	March 1990
Club Wholesale	Club Wholesale Office Supply Warehouse	Office Supplies	2	August 1990
Heck's	L.A. Joe's	Closeout Apparel	55	March 1990

Liquidations

Chain	Date	Units Left at End
Crown Auto	May 1991	35
Office Stop	May 1991	5
HQ Office Supplies Warehouse	April 1991	11
Sky City	Jan. 1991	55
Bargain Time	Sept. 1990	200
Wall to Wall Sound & Video	May 1990	30
Jaffe's	April 1990	7

Source: DSN research

Top 150 Discount Retailers

Rank 1990	Rank 1989	Chain, Headquarters	Code	Sales (In Millions) 1990	Sales (In Millions) 1989	Percent Change	Earnings* (Loss) (In Millions) 1990	Earnings* (Loss) (In Millions) 1989	Percent Change	Number of Stores 1/90	Number of Stores 1/91	Number of Stores Proj. 1/92
1	2	**Wal-Mart,**[1] Bentonville, Ark.	DDS	$25,156	$20,702	21.5%	$1,872.0	$1,677.0	11.6%	1,402	1,573	1,733
2	1	**Kmart,**[2] Troy, Mich.	DDS	24,772	24,406	1.5	1,307.0	1,314.0	(0.5)	2,194	2,205	2,265
3	NR	**Sears,**[3] Chicago, Ill.	SMR	19,400	19,500	(0.5)	49.7	479.5	(89.6)	847	863	878
4	3	**Target,** Minneapolis, Minn.	DDS	8,180	7,520	8.8	466.0	449.0	3.8	401	420	463
5	7	**Sam's Club,** Bentonville, Ark.	CLUB	6,579	4,841	35.9	170.0	130.0	30.8	123	148	201
6	6	**Price Club,** San Diego, Calif.	CLUB	5,300	4,900	8.2	199.4	181.5	9.9	53	66	76
7	4	**Montgomery Ward,**[4] Chicago, Ill.	SMR	5,128	5,028	2.0	153.0	151.0	1.3	333	343	NA
8	8	**Toys "R" Us,** Rochelle Park, N.J.	TOY	4,180	3,640	14.8	438.9	455.7	(3.7)	404	451	498
9	10	**Costco,** Kirkland, Wash.	CLUB	4,100	2,900	41.4	93.0	55.5	67.6	58	69	80
10	9	**Service Merchandise,** Nashville, Tenn.	CAT	3,400	3,300	3.0	224.4	212.8	5.5	334	346	361
11	5	**Ames,**[5] Rocky Hill, Conn.	DDS	3,100	4,800	(35.4)	(793.5)	(228.1)	NA	682	455	455
12	11	**Meijer,** Grand Rapids, Mich.	HYPER	3,000	2,800	7.1	NA	NA	NA	56	57	62
13	12	**Fred Meyer,** Portland, Ore.	DDS	2,480	2,284	8.6	67.5	0.8	8,337.5	125	120	122
14	13	**Circuit City,** Richmond, Va.	CE	2,380	2,100	13.3	91.4	113.8	(19.7)	170	192	NA
15	17	**Pace,**[6] Englewood, Colo.	CLUB	2,295	1,700	35.0	12.0	NA	NA	47	78	115
16	16	**Marshalls,** Andover, Mass.	APP	2,183	1,939	12.6	165.0	167.0	(1.2)	347	386	411
17	14	**Hills,**[7] Canton, Mass.	DDS	2,140	2,075	3.1	67.7	108.1	(37.4)	208	214	154
18	19	**T.J. Maxx,** Framingham, Mass.	APP	1,900	1,700	11.8	161.0	140.0	15.0	352	393	438
19	15	**Best Products,**[8] Richmond, Va.	CAT	1,800	2,100	(14.3)	(284.3)	(74.3)	NA	194	195	171
20	18	**Bradlees,** Braintree, Mass.	DDS	1,771	1,751	1.1	62.0	55.0	12.7	130	130	130
21	20	**Caldor,** Norwalk, Conn.	DDS	1,766	1,567	12.7	79.6	63.5	25.4	118	122	126
22	22	**ShopKo,** Green Bay, Wis.	DDS	1,737	1,556	11.6	92.3	86.3	7.0	98	104	120
23	21	**Pay Less NW,** Wilsonville, Ore.	DRUG	1,642	1,480	10.9	79.0	72.0	9.7	294	321	355
24	23	**Rose's,**[9] Henderson, N.C.	DDS	1,525	1,508	1.1	(7.0)	14.3	NA	259	256	237
25	24	**Venture,**[10] O'Fallon, Mo.	DDS	1,420	1,045	35.9	53.8	17.9	200.6	75	79	84
26	25	**Western Auto,**[11] Kansas City, Mo.	AUTO	1,300	1,200	8.3	NA	NA	NA	468	504	544
27	26	**BJ's Wholesale Club,** Natick, Mass.	CLUB	1,150	985	16.8	11.3	18.6	(39.2)	23	27	33
28	NR	**Home Shopping Network,** Clearwater, Fla.	ELE	1,008	774	30.2	74.7	9.2	712.0	NA	NA	NA
29	37	**Kay-Bee,** Pittsfield, Mass.	TOY	927	724	28.1	NA	NA	NA	777	1,116	1,126
30	28	**Silo,** Philadelphia, Pa.	CE	910	900	1.1	NA	NA	NA	220	235	250
31	29	**Jamesway,**[12] Secaucus, N.J.	DDS	896	855	4.8	(17.0)	9.0	NA	134	134	124
32	32	**Burlington Coat,**[13] Burlington, N.J.	APP	892	779	14.5	32.0	36.0	(11.1)	146	159	171
33	31	**Pep Boys,** Philadelphia, Pa.	AUTO	885	799	10.8	77.4	69.0	12.2	281	313	344
34	34	**Family Dollar,**[14] Charlotte, N.C.	DOLLAR	874	757	15.5	47.6	35.1	35.6	1,680	1,755	NA
35	39	**Price Savers,**[15] Salt Lake City, Utah	CLUB	850	685	24.1	NA	NA	NA	14	17	0
36	30	**Child World,** Avon, Mass.	TOY	829	830	(0.1)	(204.0)	11.7	NA	182	182	160
37	36	**Ross Stores,** Newark, Calif.	APP	804	741	8.5	25.2	47.2	(46.6)	156	185	205
38	33	**Northern Automotive,**[16] Phoenix, Ariz.	AUTO	800	763	4.8	NA	NA	NA	828	850	825
39	27	**Highland Superstores,** Taylor, Mich.	CE	800	924	(13.4)	NA	4.3	NA	93	93	40
40	NR	**QVC Network,** West Chester, Pa.	ELE	776	453	71.2	30.0	22.0	36.4	NA	NA	NA
41	46	**The Wholesale Club,**[17] Indianapolis, Ind.	CLUB	726	570	27.4	NA	20.4	NA	23	28	0
42	38	**Fedco,** Santa Fe Springs, Calif.	DDS	701	685	2.3	NA	8.3	NA	9	9	9
43	35	**Smitty's,** Phoenix, Ariz.	DDS	678	755	(10.2)	NA	NA	NA	24	24	25
44	47	**AutoZone,**[18] Memphis, Tenn.	AUTO	672	536	25.4	49.3	24.9	98.0	520	553	593
45	48	**Best Buy,** Minneapolis, Minn.	CE	665	512	29.9	4.5	5.7	(21.1)	49	58	68
46	43	**Pamida,** Omaha, Neb.	DDS	664	619	7.3	38.6	37.9	1.8	170	177	185
47	45	**Consolidated Stores,** Columbus, Ohio	CLOSE	662	594	11.6	15.2	11.5	32.2	336	337	360
48	44	**Dollar General,** Scottsville, Ky.	DOLLAR	653	615	6.2	28.0	25.9	8.1	1,378	1,461	1,476
49	40	**Herman's,** Carteret, N.J.	SPORT	630	680	(7.4)	NA	NA	NA	266	258	264
50	42	**Lechmere,** Woburn, Mass.	DDS	627	650	(3.5)	NA	NA	NA	18	18	20
51	64	**Office Depot,** Boca Raton, Fla.	OFFICE	626	314	99.4	15.8	7.3	116.4	67	122	162
52	41	**Thrifty Corp.,**[19] Los Angeles, Calif.	SPORT	600	520	15.4	NA	NA	NA	256	266	274
53	49	**Kids "R" Us,** Paramus, N.J.	APP	580	475	22.1	29.0	20.0	45.0	137	164	191
54	53	**Value City,**[20] Columbus, Ohio	DDS	538	430	25.1	31.2	26.0	20.0	48	53	54
55	107	**Wal-Mart SuperCenter,**[21] Bentonville, Ark.	HYPER	530	220	140.9	10.0	5.0	100.0	6	9	10
56	50	**Pic 'N' Save,**[22] Dominguez, Calif.	CLOSE	529	475	11.4	37.1	55.4	(33.0)	190	191	195
57	51	**Alexander's,**[23] New York, N.Y.	DDS	460	463	(0.6)	(3.9)	17.5	NA	11	12	NA
58	52	**Fishers Big Wheel,**[24] New Castle, Pa.	DDS	450	450	0.0	NA	NA	NA	100	87	89
59	54	**Lionel Kiddie City,** Philadelphia, Pa.	TOY	426	429	(0.6)	(11.2)	0.5	NA	92	100	100
60	68	**Clover,** Philadelphia, Pa.	DDS	425	410	3.7	15.0	25.0	(40.0)	23	24	25
61	59	**Filene's Basement,**[25] Wellesley, Mass.	APP	400	358	11.8	12.3	5.5	123.6	25	32	38
62	57	**Chief Auto Parts,** Dallas, Texas	AUTO	400	375	6.7	NA	NA	NA	503	518	535
63	76	**Newmark & Lewis,** Hicksville, N.Y.	CE	400	246	62.6	NA	1.9	NA	50	98	105
64	56	**Loehmann's,** Bronx, N.Y.	APP	396	387	2.3	27.7	27.4	1.1	73	77	77
65	55	**Hit or Miss,** Framingham, Mass.	APP	387	400	(3.3)	(8.0)	16.0	(150.0)	546	574	579
66	60	**Tops Appliances,** Edison, N.J.	CE	380	365	4.1	NA	NA	NA	3	3	4
67	85	**Bigg's,** Milford, Ohio	HYPER	350	300	16.7	NA	NA	NA	4	4	4
68	67	**WSR Group,**[26] Chicago	AUTO	320	285	12.3	NA	NA	NA	280	299	305
69	62	**Oshman's,** Houston, Texas	SPORT	318	317	0.3	(4.0)	(0.5)	NA	190	190	192
70	63	**Bi-Mart,** Eugene, Ore.	DDS	315	315	0.0	NA	NA	NA	41	43	NA
71	65	**Syms,** Secaucus, N.J.	APP	314	301	4.3	24.7	32.9	(24.9)	27	27	28
72	69	**Brendles,** Elkin, N.C.	CAT	311	277	12.4	2.0	5.7	(64.9)	45	57	59
73	66	**Ann & Hope,** Cumberland, R.I.	DDS	300	292	2.7	NA	NA	NA	6	6	6
74	94	**Staples,**[27] Newton, Mass.	OFFICE	299	182	64.1	5.9	5.2	13.5	38	74	120
75	89	**The Good Guys,** San Francisco, Calif.	CE	294	195	50.8	12.6	6.9	82.6	21	30	38

Chain Codes: ● **DDS:** Discount Department Store ● **APP:** Off-Price Apparel Chain ● **CE:** Consumer Electronics Chain ● **CAT:** Catalog Showroom Chain ● **AUTO:** Auto Aftermarket Specialty Chain ● **CLUB:** Membership Warehouse Club ● **SPORT:** Sporting Goods Specialty Chain ● **TOY:** Toy Specialty Chain ● **DOLLAR:** Dollar Discount Chain ● **DRUG:** Drug Chain (with high percentage of general merchandise and apparel) ● **CLOSE:** Closeout Goods Chain ● **HYPER:** Hypermarket ● **OFFICE:** Office Supply Megastore ● **ELE:** Electronic Retailers ● **SMR:** Specialty Mass Retailer

Sales: *Total U.S. store volume from apparel, general merchandise, food (excludes sales from supermarket operations).*
Earnings: *Operating income (profit/loss from continuing operations, before taxes and extraordinary items), unless otherwise indicated.*
NA: Not available or Not applicable.
( )—Loss.
NR: Not ranked in that year.

[1]Wal-Mart: Discount stores only.
[2]Kmart: U.S. Kmart stores only; Sales include 49% of Meldisco footwear departments; 1989 operating income excludes a $598 million non-recurring charge for store restructuring.
[3]Sears: Classified as SMR due to everyday low price strategy, addition of national brand name merchandise and specialty store-within-a-store concept. Sales include U.S. Sears stores only; Operating income is total U.S., including catalog operations, after a restructuring loss.
[4]Montgomery Ward: Classified as SMR due to everday low price strategy, national name brand merchandise and specialty store-within-a-store concept. Earnings represent net income.
[5]Ames: Earnings represent net income.
[6]Pace: 1989 operating income was $4 million for a partial year under Kmart's ownership.
[7]Hills: In Chapter 11
[8]Best Products: In Chapter 11; 1990 earnings represent pre-reorganization loss.
[9]Rose's: 1990 earnings exclude $35.4 million provision for future store closings.
[10]Venture: Earnings represent income before taxes; operating profits were $67.6 million in 1990 and an adjusted $67.2 million in 1989.
[11]Western Auto: Includes company-owned Western Auto stores, (367 units as of June 11, 1991); 90 Tire America stores and 63 NTW tire stores.
[12]Jamesway: Earnings represent net income.
[13]Burlington Coat: Figures for fiscal year ended in July.
[14]Family Dollar: Sales and earnings are for fiscal year ended Aug. 31.
[15]Price Savers: Acquired by Kmart for Pace in December 1990.
[16]Northern Automotive: Includes Schuck's, Checker, Kragen, Crown and Autoworks chains.
[17]The Wholesale Club: Acquired by Wal-Mart for Sam's Club in 1991.
[18]AutoZone: Figures for fiscal year ended Aug. 25, 1990.
[19]Thrifty Corp.: Includes Big 5, MC Sporting Goods, Gart Bros., Mages, and Casey's sporting goods chains; figures for fiscal year ended Nov. 30.
[20]Value City: Figures for fiscal year ended July 31.
[21]Wal-Mart SuperCenter: Includes Hypermart USAs.
[22]Pic N' Save: Operates under the names Pic N' Save, Job Lot Pushcart and The "WOW" Store.
[23]Alexander's: Earnings represent net income.
[24]Fisher's Big Wheel: 1990 figures exclude sales from 18 closed stores.
[25]Filene's Basement: Earnings represent net income.
[26]WSR Group: Includes Whitlock Auto, Rose Auto Supply and R&S Strauss stores.
[27]Staples: 1990 operating income includes a $2.1 million non-recurring charge in fourth quarter for acquisition of HQ Office Supplies stores.

Source: DSN research

Top 150 Discount Retailers

Rank 1990	Rank 1989	Chain, Headquarters	Code	Sales (In Millions) 1990	Sales (In Millions) 1989	Percent Change	Earnings* (Loss) (In Millions) 1990	Earnings* (Loss) (In Millions) 1989	Percent Change	Number of Stores 1/90	Number of Stores 1/91	Number of Stores Proj. 1/92
76	70	**Trak Auto,**[1] Landover, Md.	AUTO	$ 293	$ 276	(4.2%)	($ 4.2)	$ 2.6	NA	308	331	NA
77	75	**Dress Barn,**[2] Stamford, Conn.	APP	284	249	14.1	14.0	19.0	(26.3)	436	502	577
78	113	**Office Club,** Concord, Calif.	OFFICE	281	147	91.2	3.2	(2.4)	NA	32	51	73
79	86	**Goody's Family Clothing,** Knoxville, Tenn.	APP	273	200	36.5	NA	NA	NA	90	97	111
80	73	**Warehouse Club,** Skokie, Ill.	CLUB	265	267	(0.7)	(4.0)	0.5	NA	12	10	10
81	74	**American TV,** Madison, Wis.	CE	260	250	4.0	NA	NA	NA	7	8	9
82	109	**BizMart,** Dallas, Texas	OFFICE	259	133	94.7	NA	NA	NA	31	51	79
83	61	**Consumers Distributing (U.S.),** Edison, N.J.	CAT	250	199	25.6	NA	NA	NA	87	88	95
84	88	**The Wiz,** Brooklyn, N.Y.	CE	250	200	25.0	NA	NA	NA	26	30	35
85	77	**Bill's Dollar Stores,** Jackson, Miss.	DOLLAR	250	245	2.0	NA	NA	NA	500	555	555
86	72	**Nationwise,** Columbus, Ohio	AUTO	290	270	7.4	NA	NA	NA	266	280	291
87	78	**Rich's,** Salem, Mass.	DDS	235	235	0.0	1.7	3.1	(45.2)	22	24	26
88	80	**ALCO,**[3] Abilene, Kan.	DDS	220	225	(2.2)	4.7	0.0	NA	100	100	100
89	81	**Fretter,** Livonia, Mich.	CE	217	225	(3.4)	(1.2)	4.2	NA	56	61	NA
90	82	**L. Luria & Son.,** Miami Lakes, Fla.	CAT	214	221	(3.3)	2.5	5.5	(54.5)	52	54	54
91	90	**Sportmart,** Niles, Ill.	SPORT	210	190	10.5	NA	NA	NA	24	24	26
92	91	**Clothestime,** Anaheim, Calif.	APP	209	187	11.8	0.1	0.5	NA	332	384	399
93	87	**General Auto,**[4] Renton, Wash.	AUTO	205	195	5.1	NA	NA	NA	134	139	145
94	132	**American Fare,**[5] Troy, Mich.	HYPER	200	80	150.0	NA	NA	NA	1	3	3
95	176	**Office Max,** Beachwood, Ohio	OFFICE	200	65	207.7	NA	NA	NA	11	48	100
96	149	**Click,** Akron, Ohio	DDS	199	185	7.7	NA	NA	NA	9	9	10
97	103	**Stein Mart,** Jacksonville, Fla.	DDS	195	159	22.6	NA	NA	NA	32	41	44
98	93	**Quality Stores,** N. Muskegon, Mich.	DDS	195	185	5.4	NA	NA	NA	60	63	65
99	95	**K's Merchandise,** Decatur, Ill.	CAT	180	176	2.3	NA	NA	NA	12	12	12
100	92	**Prange Way,** Green Bay, Wis.	DDS	180	189	(4.8)	NA	NA	NA	25	24	24
101	83	**Harts,** Columbus, Ohio	DDS	175	215	(18.6)	NA	NA	NA	30	25	18
102	98	**L.A. Joe's,**[6] Nitro, W. Va.	DDS	171	133	28.6	NA	NA	NA	55	71	NA
103	116	**Champs Sports,** Bradenton, Fla.	SPORT	170	120	41.7	NA	NA	NA	197	251	337
104	104	**Jack's,** Quincy, Ill.	DDS	167	149	12.1	NA	NA	NA	13	14	16
105	106	**Audio-Video Affiliates,**[7] Dayton, Ohio	CE	163	144	13.2	(1.9)	(2.6)	NA	73	90	100
106	102	**Trader Horn,** Hasbrouck Heights, N.J.	CE	160	160	0.0	NA	NA	NA	16	18	18
107	101	**Swallen's,** Cincinnati, Ohio	DDS	160	160	0.0	NA	NA	NA	9	9	9
108	100	**Gee Bee Department Stores,** Johnstown Pa.	DDS	160	160	0.0	NA	NA	NA	17	17	17
109	105	**Stuarts,** Hopkinton, Mass.	DDS	148	150	(1.3)	(5.6)	(0.5)	NA	23	20	20
110	108	**The Andersons,** Maumee, Ohio	DDS	136	130	4.6	NA	NA	NA	6	6	6
111	110	**Gibsons Discount Centers,**[8] Dodge City, Kan.	DDS	135	125	8.0	NA	NA	NA	32	32	34
112	124	**Academy,** Houston, Texas	SPORT	135	97	39.2	NA	NA	NA	25	27	31
113	NR	**BrandsMart USA,** Miami, FL.	CE	134	100	34.0	NA	NA	NA	1	1	3
114	114	**G.I. Joe's,** Wilsonville, Ore.	DDS	133	123	8.1	NA	NA	NA	13	14	14
115	112	**Grandpa Pidgeon's,** Bridgeton, Mo.	DDS	130	130	0.0	NA	NA	NA	9	9	10
116	146	**Sports Unlimited,** Tampa, Fla.	SPORT	112	59	89.8	7.0	5.3	32.1	11	18	24
117	137	**One Price Clothing Stores,** Spartanburg, S.C.	APP	110	79	39.2	7.1	2.9	144.8	225	295	360
118	122	**Arvey Paper & Office Products,** Chicago, Ill.	OFFICE	110	100	10.0	NA	NA	NA	36	40	43
119	123	**Tuesday Morning,** Dallas, Texas	CLOSE	107	97	11.0	7.5	6.9	8.7	114	132	149
120	143	**Sports Authority,** Fort Lauderdale, Fla.	SPORT	105	65	61.5	(3.0)	NA	NA	8	19	35
121	115	**The Present Co.,** Rochester, N.Y.	CAT	102	100	2.0	NA	NA	NA	31	32	37
122	111	**David Weis,**[9] Export, Pa.	CAT	100	130	(23.1)	NA	NA	NA	18	18	0
123	128	**Luskin's,** Baltimore, Md.	CE	100	90	11.1	NA	NA	NA	32	34	40
124	145	**Twin Valu,** Minneapolis, Minn.	HYPER	100	60	66.7	NA	NA	NA	1	2	2
125	125	**Laneco,** Palmer, Pa.	HYPER	100	95	5.3	NA	NA	NA	14	14	14
126	136	**Big Bear Plus,** Columbus, Ohio	HYPER	100	79	26.6	NA	NA	NA	4	5	11
127	121	**NBO Stores,** Fair Lawn, N.J.	APP	96	101	(5.0)	NA	NA	NA	38	39	NA
128	118	**W. Bell,**[10] Rockville, Md.	CAT	95	111	(14.1)	NA	(4.8)	NA	20	18	10
129	119	**Fred Schmid,** Denver, Colo.	CE	95	105	(9.5)	NA	NA	NA	19	20	15
130	129	**J & R Music World,** Brooklyn, N.Y.	CE	95	85	12.2	NA	NA	NA	2	2	2
131	135	**Modell's Sporting Goods,** East Meadow, N.Y.	SPORT	91	80	14.2	NA	NA	NA	31	36	37
132	142	**Carrefour,** Philadelphia, Pa.	HYPER	84	64	31.3	NA	NA	NA	1	1	1
133	127	**Building #19,** Hingham. Mass.	CLOSE	83	82	1.2	NA	NA	NA	9	9	10
134	156	**Sports Town,** Atlanta, Ga.	SPORT	82	75	9.3	NA	NA	NA	11	12	12
135	166	**Toy Liquidators,** Milwaukee, Wis.	TOY	81	65	24.8	8.7	8.6	0.9	76	96	116
136	126	**OW Office Warehouse,** Virginia Beach, Va.	OFFICE	80	23	250.2	(2.3)	(3.2)	NA	12	23	45
137	138	**Van Leunen's,** Cincinnati	DDS	80	73	9.6	NA	NA	NA	7	7	8
138	NR	**Polk Bros.,** Melrose Park, Ill.	DDS	80	100	(20.0)	NA	NA	NA	9	5	5
139	147	**50-Off Stores,** San Antonio, Texas	APP	78	57	36.8	4.2	2.1	100.0	34	46	64
140	134	**Dahlkemper's,** Erie, Pa.	CAT	76	80	(5.0)	NA	NA	NA	9	9	9
141	155	**Auchan,** Woodridge, Ill.	HYPER	75	50	50.0	NA	NA	NA	2	2	1
142	167	**HQ Office Supplies,**[11] Long Beach, Ca.	OFFICE	74	39	93.2	(31.9)	(13.3)	NA	13	14	0
143	130	**Evans,** Rockville, Md.	CAT	70	65	7.7	NA	NA	NA	10	12	12
144	141	**K & K Toys,** Norfolk, Va.	TOY	68	68	0.0	NA	NA	NA	127	132	134
145	144	**S&K Famous Brands,** Richmond, Va.	APP	67	61	9.8	2.9	4.2	(31.0)	90	101	113
146	96	**Circus World/Playland,**[12] Farmingdale, N.Y.	TOY	66	178	(62.9)	(13.9)	2.2	NA	330	5	5
147	148	**Apex,** Pawtucket, R.I.	DDS	65	60	8.3	NA	NA	NA	3	3	3
148	140	**Odd Job Trading,**[13] New York, N.Y.	CLOSE	64	58	11.3	NA	NA	NA	16	18	18
149	150	**Witmark,** Grand Rapids, Mich.	CAT	60	57	5.3	NA	NA	NA	9	9	9
150	97	**Wall to Wall Sound & Video,**[14] Cinnaminson, N.J.	CE	60	172	18.4	NA	(3.7)	NA	66	102	0
		Top 10 Totals and Averages		$106,195	$ 96,737	9.8%	—	—	—	6,149	6,484	6,540
		Top 25 Totals and Averages		$137,334	$127,142	8.0%	—	—	—	9,304	9,586	9,499
		Top 50 Totals and Averages		$157,713	$145,527	8.4%	—	—	—	17,099	18,079	16,321
		Top 100 Totals and Averages		$173,645	$159,071	9.2%	—	—	—	22,525	24,029	22,244
		Top 150 Totals and Averages		$179,054	$164,044	9.1%	—	—	—	24,441	25,885	24,245

Chain Codes: ● **DDS:** Discount Department Store ● **APP:** Off-Price Apparel Chain ● **CE:** Consumer Electronics Chain ● **CAT:** Catalog Showroom Chain ● **AUTO:** Auto Aftermarket Specialty Chain ● **CLUB:** Membership Warehouse Club ● **SPORT:** Sporting Goods Specialty Chain ● **TOY:** Toy Specialty Chain ● **DOLLAR:** Dollar Discount Chain ● **DRUG:** Drug Chain (with high percentage of general merchandise and apparel) ● **CLOSE:** Closeout Goods Chain ● **HYPER:** Hypermarket ● **OFFICE:** Office Supply Megastore ● **ELE:** Electronic Retailers ● **SMR:** Specialty Mass Retailer

Sales: *Total U.S. store volume from apparel, general merchandise, food (excludes sales from supermarket operations).*
Earnings: *Operating income (profit/loss from continuing operations, before taxes and extraordinary items), unless otherwise indicated.*
NA: Not available or Not applicable.
( )—Loss
NR: Not ranked in that year
[1]Trak Auto: Earnings represent net income.
[2]Dress Barn: Earnings represent net income.
[3]ALCO: Includes 81 ALCO discount stores and 19 Duckwall variety stores; filed for Chapter 11 in 1990.
[4]General Auto: Includes Grand Auto and Al's Auto Supply.
[5]American Fare: Unit in Jackson, Miss., is operated by Bruno's, Kmart's joint venture partner.
[6]L.A. Joe's: Currently in liquidation.
[7]Audio-Video Affiliates: Earnings represent net loss.
[8]Gibson's Discount Centers: Includes 28 company-owned Gibson's and 4 Sac's stores.
[9]David Weiss: Liquidated in January 1991.
[10]W. Bell: In Chapter 11.
[11]HQ Office Supplies: Sold all its U.S. stores to Staples and BizMart in first quarter of 1991.
[12]Circus World/Playland: Parent Greenman Bros. sold 330 Circus World stores to Melville Corp. (Kay-Bee) in August 1990.
[13]Odd Job Trading: Includes Odd Job, Peddlers Mart, Just Closeouts and The Closeout Store.
[14]Wall to Wall Sound & Video: Liquidated during first half of 1990.

Source: DSN research

Wal-Mart Pushes Past Kmart to Reach No. 1 Position in Discounting

If this were the Olympics, race officials would demand a steroid test.

In just seven years, Wal-Mart has closed Kmart's seemingly insurmountable $14 billion lead in discount store sales to become the nation's largest discounter.

Wal-Mart's discount store division racked up an impressive 21.5% sales gain in 1990, topping $25 billion in annual sales, and passing Kmart, which logged a 1.5% gain to $24.8 billion.

Target is the only other discounter within striking distance of the Big Two. The upscale discounter completed a strong lap last year, achieving an 8.8% sales gain to $8.2 billion in sales.

As a group, the discount department store segment of the discount retail industry experienced a 6.4% sales increase last year, despite the recession. They achieved that sales gain on a base of 31 net fewer stores.

As each of the Big Three discounters enter their 30th year, they have achieved an unprecedented position of dominance in the discount retail market. Excluding the $5.6 billion in sales gained by Wal-Mart, Kmart and Target in 1990, the remaining 46 top discount chains actually lost about $600 million in sales last year. In 1990, the Big Three rang up nearly 70 cents out of every $1 worth of merchandise sold in a discount store.

Target is the only discounter within striking distance of Wal-Mart and Kmart, with perhaps, the most potential to be the strongest growth retailer of the '90s

In the process of taking the discount store sales leadership from Kmart last year, Wal-Mart was the industry pacesetter in other ways, too. It continued to be a leader in forging strong partnerships with its vendors, evidenced by the opening of its second vendor store in Charlotte, N.C., and by its push to electronically transmit sales data and purchase order to its suppliers.

The Bentonville, Ark.-based chain also took a leadership role on the environmental issue, encouraging manufacturers to make improvements in their products and packaging, and setting up recycling centers at many of its stores.

Among other noteworthy developments: Wal-Mart began testing vision centers, added a private label tool line, and expanded into California and Pennsylvania.

Through all the rapid expansion, the most amazing aspect of Wal-Mart's rise to the top of the discounter list is its ability to keep its employees motivated and focused on serving the customer.

If Wal-Mart has been on a relentless mid-race drive, Kmart appears to have coasted the last few laps in preparation for a furious kick of its own. At the Troy, Mich.-based retailer, corporate attention has returned to the discount store base. Last year, Kmart embarked upon a $2.3 billion modernization program, scheduled for completion by 1995, unveiled a new logo designed to update its image and began rolling out its prototype store of the '90s. An exclusive *DSN* research study on the new store prototype in two markets (Detroit and Virginia Beach) found that consumers liked the new prototype and planned to spend an average of 50% more in the new stores.

Such results suggest that if Kmart sticks to its refurbishment schedule, it will be more than a match for Wal-Mart in the coming years.

Another positive development last year was Kmart's completion, one year ahead of schedule, of its POS/satellite system. The communications network makes the retailer more efficient and enables Kmart's charismatic chairman Joe Antonini to communicate his "vision" quickly to the chain's 350,000 employees.

With its relatively smaller store count base, Target perhaps has the most potential to be the strongest growth retailer of the '90s. Like its two bigger competitors, Target also did more than its share to increase the public's and its suppliers' awareness of the earth's environmental problems. It sponsored a club called Kids for Saving Earth and won the 1990 DISC (Discounters in Service to the Community Award), sponsored by *DSN*, for its role in community service.

Target continued to be an innovator in merchandising in 1990. The Minneapolis-based discounter was cited at the Licensing Show for its effective use of licensed properties in its stores; its roll out of the second generation of its Country Estates coordinated bed & bath program; and unveiling new exclusive apparel lines

(Continued on page 71)

Top Full-Line Discount Stores

Chain	Sales (In Millions) 1990	Sales (In Millions) 1989	% Change	Number of Stores 1/90	Number of Stores 1/91	Number of Stores Proj. 1/92	Average Store Size (000 Sq. Ft.)
Wal-Mart[1], Bentonville, Ark.	$25,156	$20,702	21.5%	1,402	1,573	1,733	71
Kmart[2], Troy, Mich.	24,772	24,406	1.5	2,194	2,205	2,265	65
Target, Minneapolis, Minn.	8,180	7,520	8.8	401	420	463	99
Ames, Rocky Hill, Conn.	3,100	4,800	(35.4)	682	455	455	80
Fred Meyer, Portland, Ore.	2,480	2,284	8.6	125	120	122	129
Hills[3], Canton, Mass.	2,140	2,075	3.1	208	214	154	82
Bradlees, Braintree, Mass.	1,771	1,751	1.1	130	130	130	72
Caldor, Norwalk, Conn.	1,766	1,567	12.7	118	122	126	90
ShopKo, Green Bay, Wis.	1,737	1,556	11.6	98	104	120	87
Rose's, Henderson, N.C.	1,525	1,508	1.1	259	256	237	43
Venture, O'Fallon, Mo.	1,420	1,045	35.9	75	79	84	100
Jamesway, Secaucus, N.J.	896	855	4.8	134	134	124	57
Fedco, Santa Fe Springs, Calif.	701	685	2.3	9	9	9	170
Smitty's, Phoenix, Ariz.	678	755	(10.2)	24	24	25	110
Pamida, Omaha, Neb.	664	619	7.3	170	177	185	30
Lechmere, Woburn, Mass.	627	650	(3.5)	18	18	20	75
Value City, Columbus, Ohio	538	430	25.1	48	53	54	80
Alexander's, New York, N.Y.	460	463	(0.6)	11	12	NA	NA
Fishers Big Wheel[4] New Castle, Pa.	450	450	0.0	100	87	89	45
Clover, Philadelphia, Pa.	425	410	3.7	23	24	25	86
Bi-Mart, Eugene, Ore.	315	315	0.0	41	43	NA	30
Ann & Hope, Cumberland, R.I.	300	292	2.7	6	6	6	100
Rich's, Salem, Mass.	235	235	0.0	22	24	26	60
ALCO[5], Abilene, Kan.	220	225	(2.2)	100	100	100	30
Click, Akron, Ohio	199	185	7.7	9	9	10	130
Stein Mart, Jacksonville, Fla.	195	159	22.6	32	41	44	40
Quality Stores N. Muskegon, Mich.	195	185	5.4	60	63	65	17
Prange Way, Green Bay, Wis.	180	189	(4.8)	25	24	24	60
Harts, Columbus, Ohio	175	215	(18.6)	30	25	18	70
L.A. Joe's[6], Nitro, W.Va.	171	133	28.6	55	71	NA	43
Jack's, Quincy, Ill.	167	149	12.1	13	14	16	60
Swallen's, Cincinnati, Ohio	160	160	0.0	9	9	9	134
Gee Bee Department Stores Johnstown, Pa.	160	160	0.0	17	17	17	70
Stuarts, Hopkinton, Mass.	148	150	(1.3)	23	20	20	60
The Andersons, Maumee, Ohio	136	130	4.6	6	6	6	125
Gibsons Discount Centers[7] Dodge City, Kan.	135	125	8.0	32	32	34	40
G.I. Joe's, Wilsonville, Ore.	133	123	8.1	13	14	14	55
Grandpa Pidgeon's Bridgeton, Mo.	130	130	0.0	9	9	10	65
Gem of Hawaii, Honolulu	85	78	9.0	5	5	6	77
Polk Bros., Melrose Park, Ill.	80	100	(20.0)	9	5	5	43
Van Leunen's, Cincinnati, Ohio	80	73	9.6	7	7	8	73
Apex, Pawtucket, R.I.	65	60	8.3	3	3	3	150
Sky City[8], Asheville, N.C.	60	120	(50.0)	57	20	0	NA
Goldblatt Department Stores Chicago, Ill.	59	52	12.8	12	11	13	45
Magic Mart, Bluefield, Va.	45	45	0.0	16	16	16	39
Shoppers World, Oak Park, Mich.	27	27	0.0	8	8	9	45
Union Hall, Rockford, Ill.	24	23	4.3	2	2	2	85
The Fair Co., Worcester, Mass.	13	13	0.0	8	7	7	NA
Globe, Methuen, Mass.	12	12	0.0	5	5	5	36
Total:	$83,390	$78,394	6.4%	6,863	6,832	NA	—

[1]Wal-Mart: Discount stores only.
[2]Kmart: U.S. Kmart stores only; Sales include 49% of Meldisco footwear departments.
[3]Hills: In Chapter 11.
[4]Fishers Big Wheel: 1990 figures exclude sales from 18 closed stores.
[5]ALCO: Includes 81 ALCO discount stores and 19 Duckwall variety stores; filed for Chapter 11 in 1990.
[6]L.A. Joe's: Currently in liquidation.
[7]Gibson's Discount Centers: Includes 28 company-owned Gibson's and 4 Sac's stores.
[8]Sky City: Chain has been liquidated.

( )—Loss NA: Not available

Source: DSN research

Top 5 Dominate Fast-Growing Clubs Segment

Industry Consolidation of Warehouse Clubs Whittles Down Total to Five Key Players

The membership warehouse industry juggernaut continues to roll on, with no slowing down in sight.

The industry should maintain the torrid growth of the past half decade and pass the $25 billion sales level this year as 76 new clubs come on line.

The explosive sales growth reflects the maturing of the 53 clubs opened last year on top of the 81 unveiled in 1989. These 134 units represent 30% of the stores in operation at the start of 1991.

This growth came earlier this year as the industry entered its final consolidation stage, which saw the number of membership warehouses narrowed down to five major players, with sales ranging from $1.1 billion to $6.6 billion, and two regional micro operations. As recently as two years ago, there were 11 chains.

The latest whittling down of companies entailed the nation's leading discounters, Wal-Mart and Kmart, using their deep pockets to acquire smaller membership warehouses for their wholesale club chains.

Wal-Mart acquired The Wholesale Club to strengthen the expansion of Sam's Club, the industry's leader in sales and stores, into the Midwest. The move marked Sam's entry into Minnesota while augmenting its presence in five states: Michigan, Indiana, Ohio, Wisconsin and Illinois.

The Midwest had been a membership warehouse desert, with Sam's and the Wholesale Club the dominant chains. Sam's had 30 clubs in nine states while the Wholesale Club had 28 stores in six Upper Midwest states. The other players included Pace Membership Warehouse with 20 units in six states, the Price Club with its initial move into the region with a duo in Colorado and the Warehouse Club, a micro operation with 10 clubs scattered in six markets.

Pace, a Kmart division, meanwhile acquired Price Savers to further its growth in Southern California while also marking the chain's entry into four other Western states: Alaska, Arizona, Utah and Washington. Pace is also augmenting its presence in the Midwest by opening seven stores, including three in Chicago and its first in St. Louis.

The paring down of players results in the five chains, Sam's and Pace, along with the Price Club, Costco Wholesale and BJ's Wholesale Club, accounting for 98.5% of the industry's volume, with their share likely to continue to grow larger.

The consolidation wasn't the only significant activity in the industry. Other noteworthy endeavors included:

• **Northeast expansion.** Sam's and Costco's move into the relatively under-membership warehoused Northeast, the home base of BJ's with 19 of its 27 clubs there. Price, with 12 units, and Pace, with nine stores, will also have a regional presence.

Sam's last year opened four clubs in the Northeast and plans to add at least 18 more by the end of 1992 as part of its drive to become the industry's first national chain.

Costco, meanwhile, unveiled its first Northeast club last year, with three more set for this year.

All told the Northeast region composed of New England and the Middle Atlantic States could be home to about 50 clubs by the end of next year, a count that's still less than the six dozen in California alone run by just the Price Club, Costco and Pace.

• **Wal-Mart/Sam's combos.** Wal-Mart plans to open Sam's adjacent to Wal-Mart discount stores wherever possible. The combination is expected to capture the greater amount of sales possible in a market through the joint appeal to businesses via Sam's and to the traditional consumer needs of business owners, along with other shoppers, through the Wal-Marts.

Wal-Mart has already unveiled about three dozen Wal-Mart Sam's combos, with a dozen opening last year.

• **Price Club accelerates growth.** Price Club has stepped up its expansion to keep pace with the growth of competitors. In the past, Price Club, which fathered the membership warehouse concept, had tended to open much fewer stores than other chains, resulting in its fall from being No. 1 in sales in 1989 to No. 2 this year.

The company has been focusing on obtaining the highest sales possible from a club, with its units averaging over $100 million each and some hitting $175 million to $200 million. The result has been higher volume than all competitors but Sam's. Speeding up expansion should enable the Price Club to keep pace with Sam's sales growth.

The company's drive to maintain its leadership status includes entering its second foreign market, Mexico, through a joint venture with Comercial Mexicana, which is eyeing opening its first south of the border club late this year or early in 1992. Price already has clubs in Canada.

Price plans to add 11 clubs this year, down slightly from 13 last year, but will rev up its expansion in 1992 as stores are opened on sites signed up this year. This growth could include Price's move into the Midwest, where it doesn't have any units.

• **Price targets Canada.** Price bought out its Canadian partner to take over complete operation of Price Club Canada. The move enables the membership warehouse to execute a uniform merchandising program in the United States and Canada. (Costco operates its own clubs in Canada.)

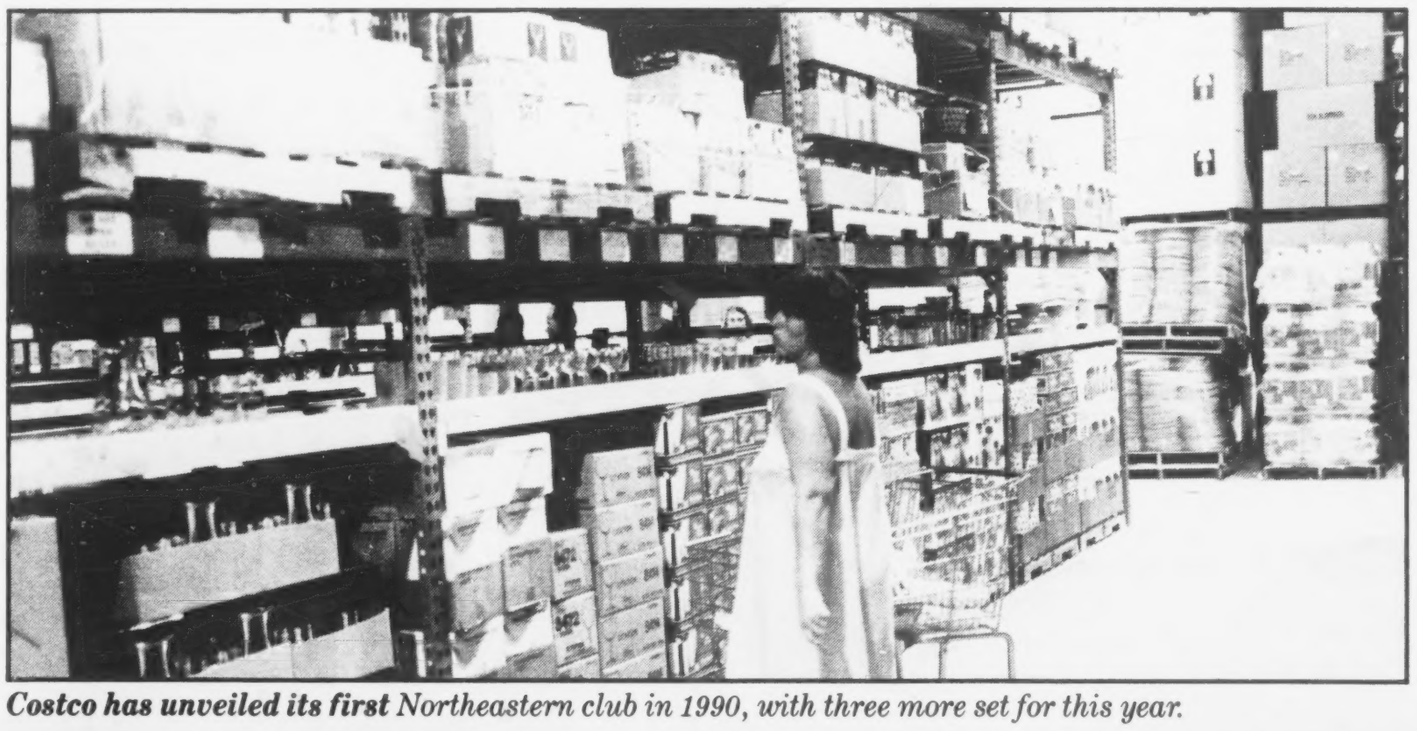
• **Expanded merchandise and services.** All the clubs are testing new categories and services. These include: fresh meats, deli and produce and scratch bakeries to augmented the merchandise mix and pharmacy, optical, travel, long-distance phone and discount auto buying as services.

Top Membership Warehouse Chains

Chain	Sales (In Millions) 1990	Sales (In Millions) 1989	% Change	Number of Stores 1/90	Number of Stores 1/91	Number of Stores Proj. 1/92	Average Store Size (000 Sq. Ft.)
Sam's Bentonville, Ark.	$6,579	$4,841	35.9%	123	148	201	115
Price Club San Diego, Calif.	5,300	4,900	8.2	53	66	76	110
Costco Kirkland, Wash.	4,100	2,900	41.4	58	69	80	120
Pace Englewood, Colo.	2,295	1,700	35.0	47	78	115	100
BJ's Wholesale Club Natick, Mass.	1,150	985	16.8	23	27	33	105
Price Savers[1] Salt Lake City, Utah	850	685	24.1	14	17	0	100
The Wholesale Club[2] Indianapolis, Ind.	726	570	27.4	23	28	0	105
Warehouse Club Skokie, Ill.	265	267	(90.7)	12	10	10	100
Wholesale Depot Natick, Mass.	50	10	400.0	2	2	6	60
Total:	$21,315	$16,858	26.4%	355	445	521	

[1]*Price Savers: Acquired by Pace in December 1990.*
[2]*The Wholesale Club: Acquired by Wal-Mart for Sam's Club in February 1991.*

Source: DSN research



***Costco has unveiled its first** Northeastern club in 1990, with three more set for this year.*

***Wholesale Depot, Erie, Pa.,** will open four of its smaller-sized clubs this year.* (DSN photos)

Service Merchandise Strong in Troubled Market

The catalog showroom industry is fractured into four parts, the divisions denoting the starkly different fortunes of the various chains.

The first level is the industry's leading success story, Service Merchandise, the $3.4 billion almost national catalog-er with 346 showrooms in 36 states. It accounts for almost half of the industry's sales.

The next grouping makes up the heart of the industry. It's composed of about a dozen regional and local catalogers (some didn't make *DSN*'s chart of top chains because their sales were under $28 million) that continue to strive to be viable.

The third group is made up of about a half dozen smaller operators whose sales have been declining—some have even closed showrooms—as they search for a formula for success. This year, three catalogers—E.H. Tepe, Wilbro and Andersons—fell into this category and closed down to avoid further financial problems and the need to file bankruptcy. This move enabled them to determine their future before financial lenders and manufacturers forced their hand.

Lastly, two catalogers, Best Products—once the leading chain that still accounted for over a quarter of the industry's sales last year—and W. Bell are in Chapter 11 and have shut showrooms as they attempt to reorganize their operations. Earlier this year, David Weis, once a strong regional cataloger, liquidated after filing Chapter 11 (in 1990), while Jewelcor Merchandising closed all but one showroom as part of its reorganization.

The industry's sharp splintering last year revived questions that have been voiced in the past about the viability of the showroom concept. The success of some catalogers, as well as the failure of others, indicates that the financial strength of a company and its execution are the keys to survival—just as is the case for retailers in other segments like the toy and CE fields.

The industry's image problem was compounded by a number of factors that contributed to stagnant sales at many catalogers and the failure of a number of chains. These included the recession which cut sales of high-profit jewelry, the downturn in the CE business, a major category, and more competition from major discounters like Kmart, Wal-Mart and Target. The latter two, in particular, have expanded into many new markets presenting competition to a number of regional chains.

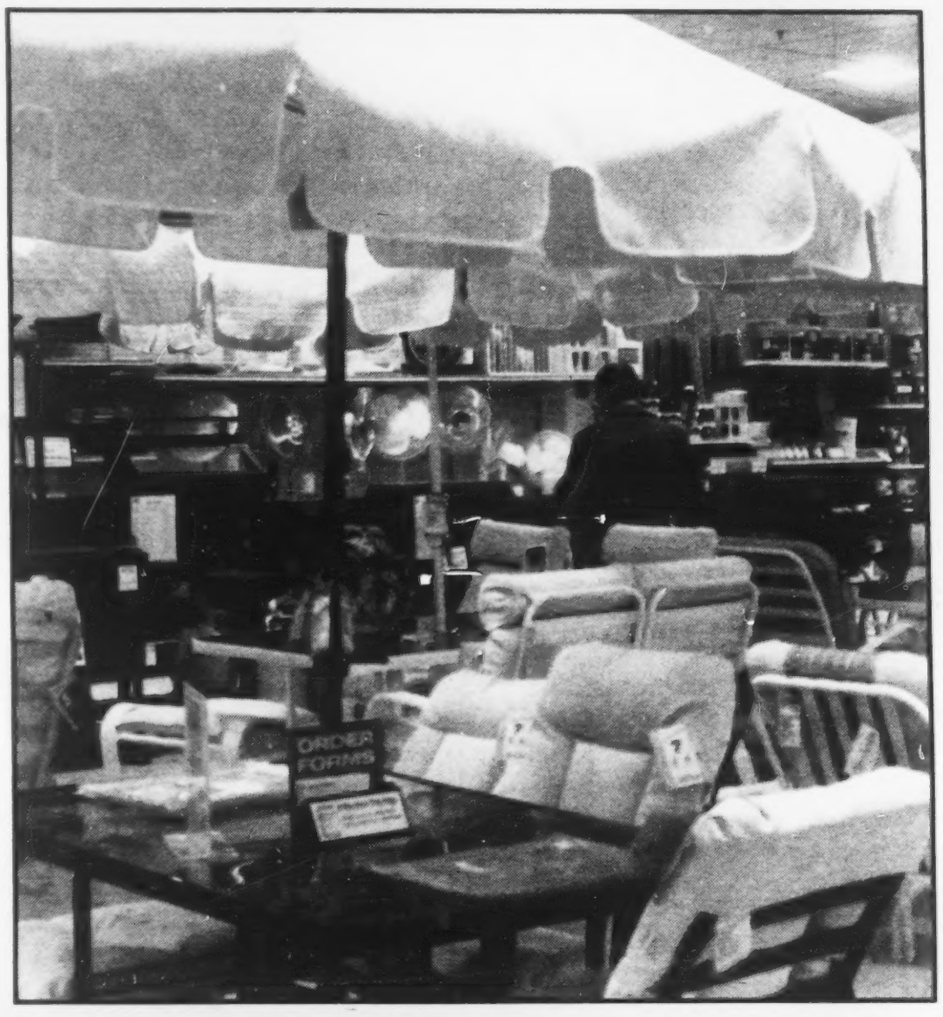
Service Merchandise learned the lesson of straying from its core catalog business in the '80s when it digressed, unsuccessfully, into the warehouse home center and toy and computer specialty store arenas. Once the cataloger refocused on its showrooms, including retaining its large annual book, it has pursued merchandising and operational programs that have honed its execution while strengthening its relationship with its customers.

These efforts include using technology like in-store customer operated order terminals and computerized mailing lists to speed up catalog shopping while tracking its customers to target its merchandise mix to their buying. At the same time, it has used satellite communications, environmental control systems and computerized warehouses to lower operational costs to compete with discounters and other sharp-priced retailers.

Best Products, however, experimented with different sized catalogs and even tried to develop a specialty mail order business. Failure to execute the basic catalog concept was compounded by a leveraged buyout that exploded its debt. The result was its Chapter 11 filing earlier this year. The key to Best Products' recovery plan is a return to its showroom heritage, including again publishing a large catalog marketed to its customers.

Consumers Distributing was the only cataloger to record double digit sales gains. This reflects the financial and operational support from its parent, Semi-Tech Global, a Hong Kong-based consumer products conglomerate that has positioned the cataloger as the U.S. marketer for its merchandise. Semi-Tech Global's consumer products brands include Singer and Emerson, while the conglomerate is also parent of the Singer retail chain that has over 1,000 company-owned stores and over 14,000 other outlets like franchised dealers and door-to-door salesmen worldwide.

The successful smaller catalogers, meanwhile, have developed a variety of programs to compete against larger chains. This includes being more responsive to local merchandising trends and providing more customer service than is found in other retailers as the key to retaining shoppers.



In its attempt to re-emerge from Chapter 11, *Best Products will return to its showroom heritage and once again publish a catalog.*

The industry's success story: *Service Merchandise moved into a new headquarters building in Nashville, Tenn.* (DSN photos)

Top Catalog Showroom Chains

Chain (Coordinator)	Sales (In Millions) 1990	Sales (In Millions) 1989	% Change	Number of Stores 1/90	Number of Stores 1/91	Number of Stores Proj. 1/92	Average Store Size (000 Sq. Ft.)
Service Merchandising Nashville, Tenn. (Independent)	$3,400	$3,300	3.0%	334	346	361	50
Best Products[1] Richmond, Va. (Indendent)	1,800	2,100	(14.3)	194	195	171	50
Brendles Elkin, N.C. (MAI)	311	277	12.4	45	57	59	48
Consumers Distributing Edison, N.J. (Independent)	250	199	25.6	87	88	95	12
L. Luria & Son Miami Lakes, Fla. (Independent)	214	221	(3.3)	52	54	54	26
K's Merchandise Decatur, Ill. (Paul Schultz)	180	176	2.3	12	12	12	75
The Present Co. Rochester, N.Y. (MAI)	102	100	2.0	31	32	37	NA
David Weis[2] Export, Pa. (MAI)	100	130	(23.1)	18	18	0	NA
W. Bell[3] Rockville, Md. (Independent)	95	111	(14.1)	20	18	10	12
Dahlkemper's Erie, Pa. (Paul Schultz)	76	80	(5.0)	9	9	9	55
Evans Jewelers & Distributors Rockville, Md. (MAI)	70	65	7.7	10	12	12	55
Witmark Grand Rapids, Mich. (MAI)	60	57	5.3	9	9	9	NA
Sterling Jewelry Dallas, Texas (Paul Schultz)	52	55	(5.5)	5	4	4	46
Folands Livonia, Mich. (Associated Charter)	40	40	0.0	6	6	6	NA
E.H. Tepe[4] South Bend, Ind. (Paul Schultz)	39	45	(13.1)	10	10	0	45
Brand Names Tonawanda, N.Y. (Independent)	34	32	6.3	15	16	16	NA
Goldbro Jewelers Birmingham, Ala. (Associated Charter)	33	40	(17.5)	8	8	8	NA
Arthur's Jewelers Plainfield, N.J. (MAI)	31	50	(37.5)	8	5	5	NA
Fred P. Gattas Memphis, Tenn. (MAI)	28	30	(83.3)	6	6	6	105
Total:	$6,915	$7,107	(2.7%)	879	905	874	—

[1]Best Products: In Chapter 11.
[2]David Weiss: Liquidated in January 1991.
[3]W. Bell: In Chapter 11.
[4]E.H. Tepe: Going out of business.
( )-Loss NA: Not available

Source: DSN research

Maxx Vies With Marshalls for Off-Price Crown

Filene's Basement, One-Price Clothing, 50-Off Stores Shine; Others Struggle

Marshalls, East Meadow, N.Y.: *The chain continued revamping its stores to its larger prototype.* (DSN photo)

Apparel off-pricers felt the pangs of the recession in 1990. Sales overall slowed and two of the top 16 off-pricers reported a decrease in sales.

A Christmas season that failed to materialize added to poor performances fueled by the same lack of fashion initiative reported in 1989.

While much of the blame has been placed on a difficult women's wear market, two men's apparel chains, NBO and S&K Famous Brands also had a lackluster year.

Even some retailers that on the surface reported increased sales admitted decreased operating income and lower comparable store sales.

NBO, the men's wear retailer based in Secaucus, N.J., reported a 5% decrease in sales. The chain opened only one store in 1990, and has no immediate plans for further openings in 1991.

Comp stores sales for Ross Stores, Newark, Calif., were down by 3%. Earnings for the firm went from $47.2 million in 1989, to $25.2 million in 1990.

Earnings for S&K Famous Brands, went from $4.2 million in 1989 to $2.9 million in 1990 and also reported 3% decrease in comp store sales.

Net income for Dress Barn, Stamford, Conn., went from $19 million in 1989 to $14 million in 1990.

Clothestime, Anaheim, Calif., which last year looked like it recovered from a difficult 1988, again reported decreased earnings. Net income for 1990 was only $78,000; compared to $461,000 in 1989.

The chain did have a sale increase of 11% and continued to expand. It opened 50 stores during 1990 and a few months ago announced a new venture: its first Trend Club store. Though similar in merchandise, the company said the new retail operation was intended specifically for factory outlet malls.

These less than spectacular results may have spurred the more recent personnel shifts that were as popular a pastime with apparel off-pricers as in other retail sectors.

Most notably, Francis Arnone, former president of Marshalls, bid farewell to the Northeast chain. Thomas Unrine, former president of Hit or Miss, left that TJX division as it hit murky waters. Brian Woolf, former president of One Price Clothing, also moved on.

Arnone's departure at Marshalls caused the most speculation in this market. As the two leaders in the off-price apparel category, the competition between T.J. Maxx and Marshalls, is a chess match closely watched.

In 1990, T.J. Maxx edged its way closer to the top of the off-pricers list. Better comp store sales, which analysts say may have been a result of better buying decisions, helped T.J. Maxx maintain a stronghold in its markets.

Richard Baum, analyst with Bernstein Research, New York, was not ready to sound a deathwatch for Marshalls just yet. "They are making some structural changes that will put them back on the right footing," he said. "I expect that by fall they will name a new president."

Both chains experimented with larger-store prototypes last year, and are continuing to open both regular size and larger size formats. T.J. Maxx reported that 10 of the projected 45 stores to be opened this year will be the larger 55,000-square-foot stores.

Marshalls continued revamping its stores to new prototype formats and earlier this year began experiments with a "Designer's Back Room," where it showcased better-name labels.

While T.J. Maxx prospered, another TJX Co. division faltered. Hit or Miss did not fare too well in 1990, losing

(Continued on page 74)

Top Off-Price Apparel Chains

Chain	Sales (In Millions) 1990	Sales (In Millions) 1989	% Change	Number of Stores 1/90	Number of Stores 1/91	Number of Stores Proj. 1/92	Average Store Size (000 Sq. Ft.)
Marshalls Andover, Mass	$2,183	$1,939	12.6%	347	386	411	30
T.J. Maxx Framingham, Mass.	1,900	1,600	11.8	352	393	438	25
Burlington Coat Burlington, N.J.	892	779	14.5	146	159	171	60
Ross Stores Newark, Calif.	804	741	8.5	156	185	205	29
Kids "R" Us Paramus, N.J.	580	475	22.1	137	164	191	20
Filene's Basement Wellesley, Mass.	400	358	11.8	25	32	38	20
Loehmann's Bronx, N.Y.	396	387	2.3	73	77	NA	13
Hit or Miss Framingham, Mass.	387	400	(3.3)	546	574	579	4
Syms Secaucus, N.J.	314	301	4.3	27	27	28	40
Dress Barn Stamford, Conn.	284	249	14.1	436	502	577	4
Goody's Family Clothing Knoxville, Tenn.	273	200	36.5	90	97	111	25
Clothestime Anaheim, Calif.	209	187	11.8	332	384	399	4
One Price Clothing Stores Spartanburg, S.C.	110	79	39.2	225	295	360	2
NBO Stores Fair Lawn, N.J.	96	101	(5.0)	38	39	NA	9
50-Off Stores San Antonio, Texas	78	57	36.8	34	46	64	20
S&K Famous Brands Richmond, Va.	67	61	9.8	90	101	113	4
Total:	$8,973	$7,914	13.4%	3,054	3,461	NA	—

NA: Not available *( )—Loss*

Source: DSN *research*

New Concepts Gain Upper Hand in CE Industry

The consumer electronics industry, buffeted as it still is by recession, underwent in 1990 its most widespread and fundamental era of change since the arrival of the superstore in the early '80s. Specifically, Circuit City and similar operations hit the skids (in strictly relative terms), with new concepts reaping unexpected dividends.

The traditional method of doing business seems to be falling by the wayside. Where once CE salesmen were advised to make a sale at any cost, the accent now is on moving product at sensible profit margins.

Retailers throughout the industry, including Silo, Newmark & Lewis, Electric Avenue and Best Buy, have removed the option of bargaining on the floor. "That's no longer a viable way of doing business," said former Silo chief executive Barry Feinberg recently. Further, most modern chains now have on-floor computers that advise salesmen of day-to-day margins.

While the economy has played a major role in the declining fortunes of some CE specialists, changing consumer expectations seem to have played a greater role. Some factors that consumers plainly don't like anymore: salespeople who won't let shoppers browse in peace, heavy price orientation in advertising, anything that even vaguely resembles bait-and-switch (including out-of-stocks), hard sell on extended warranties and long lines or inconvenient procedures at checkout. And, larger, better stocked stores seem to be the order of the day.

To no one's surprise, the chains that have addressed all or most of these concerns are prospering. Best Buy, BrandsMart USA and The Good Guys, in particular, turned in stellar performances despite a truly lackluster fourth quarter. Others, like Luskin's, Fretter and The Wiz have all made considerable strides in the past year.

The saving graces for 1990 were unquestionably compact camcorders, home office and larger screen televisions, with compact disc players and VCRs still strong products. Video game systems and software cooled slightly, but remained substantial sellers, and audio components crept back into the black. A relatively cool summer, however, clipped air conditioner sales (particularly in comparison to 1989, which was torrid), and most other product areas were flat.

And, despite clearly recessionary conditions, the American consumer came through at Christmas. During the final week, camcorders, computers, video game systems, large screen televisions and other large ticket items moved off shelves at a record pace, as did the software and accessories to support them. Some retailers reported massive out-of-stocks in some areas, notably computers and camcorders, due to gloomy pre-Christmas inventory planning.

Most CE retailers have positioned themselves well for growth in the 1990s. Notably, most have turned themselves into effective home office and small business sources, a trend that will continue to grow as major brand names like IBM and Apple become available to retailers. While office supply superstores might have an edge here, there are a lot more consumer electronics stores in major markets and CE specialists should continue to build their office products businesses.

However, there will probably be a declining number of CE superstores in the future. Two New Jersey chains, Wall to Wall Sound and Brick Church, disappeared last year and Highland Superstores, until recently the second largest national chain, has closed more than half of its 93 stores, and is seeking a buyer for the remaining 40. Other chains are closing unproductive stores and very few retailers plan meaningful expansion in the coming year.

Even if the economy does bounce back, the emphasis in the industry has changed from dominating a market to making existing units more productive. Retailers are struggling to keep inventories in line; in 1989, many were overinventoried while in 1990, inventories at Christmas were often inadequate. Striking a balance has become crucial to future profitability.

In terms of products, there is very little on the immediate horizon. Technologies like Sony's Mini Disc system and Philips' CD-I are at least a year away from meaningful sales, and HDTV's commercial future is still up in the air as industry and government struggle to develop uniform standards. A so-far hot summer has stimulated air conditioning sales, but at the same time, camcorder sales seem to have peaked.

The major growth area for the near term is home office, where technology has matured to the point that consumers reluctant to buy a computer that might be out-of-date by the time they get it home could be tempted into the market in the second half.

Overall, this will be a year of watching costs, cleaning up inventories and crossing fingers.

Top Consumer Electronics Specialty Chains

Chain	Sales (In Millions) 1990	Sales (In Millions) 1989	% Change	Number of Stores I/90	Number of Stores I/91	Number of Stores Proj. I/92	Average Store Size (000 Sq. Ft.)
Circuit City Richmond, Va.	$2,380	$2,100	13.3%	170	192	NA	25
Silo Philadelphia, Pa.	910	900	1.1	220	235	250	17
Highland Superstores Taylor, Mich.	800	924	(13.4)	93	93	40	24
Best Buy Minneapolis, Minn.	665	512	29.9	49	58	68	20
Newmark & Lewis Hicksville, N.Y.	400	246	62.6	50	98	105	14
Tops Appliances Edison, N.J.	380	365	4.1	3	3	4	50
The Good Guys San Francisco, Calif.	294	195	50.8	21	30	38	12
American TV Madison, Wis.	260	250	4.0	7	8	9	80
The Wiz Brooklyn, N.Y.	250	200	25.0	26	30	35	12
Fretter Livonia, Mich.	217	225	(3.4)	56	61	NA	15
Audio-Video Affiliates Dayton, Ohio	163	144	13.2	73	90	100	NA
Trader Horn Hasbrouck Heights, N.J.	160	160	0.0	16	18	18	15
BrandsMart USA Miami, Fla.	134	100	34.0	1	1	3	NA
Luskin's Baltimore, Md.	100	90	11.1	32	34	40	10
J & R Music World Brooklyn, N.Y.	95	85	12.2	2	2	2	200
Fred Schmid Denver, Colo.	95	105	(9.5)	19	20	15	12
Wall to Wall Sound & Video[1] Cinnaminson, N.J.	60	172	(65.1)	102	66	0	10
Brick Church[2] Orange, N.J.	25	80	(68.8)	40	40	0	10
Total:	$7,388	$6,853	7.8%	980	1,079	NA	—

[1]Wall to Wall Sound & Video: Liquidated during first half of 1990.
[2]Brick Church: Acquired by Newmark & Lewis in 1990.

( )—Loss NA: Not available. *Source: DSN research*

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Recession Plays It Rough With Toy Retailers

Last year was so tough in the toy business that even Toys "R" Us earned less money than the year before.

Toys "R" Us recorded a 10.5% decline in operating income in 1990 compared to 1989, a stunning result for one of the nation's most prosperous and imitated retailers.

But 1990 was one of the toughest years in memory, not only for toy retailers and manufacturers, but for everyone.

The Persian Gulf war coupled with a national recession clobbered all kinds of businesses. Christmas sales were disappointing. Almost no one escaped unscathed.

Toys "R" Us, the giant in the toy business and one of the nation's largest retailers with 1990 U.S. toy store sales of $4.18 billion, said sales for its fourth quarter fell 6%. The critical eight-week Christmas season was so poor that company chairman Charles Lazarus proclaimed the holiday season "one of the most difficult we have seen in recent years."

Despite this, Toys "R" Us had a cakewalk compared to other specialty toy retailers, most notably Child World and Lionel, which recently filed Chapter 11 bankruptcy for the second time in nine years.

A troubled chain by every measurement, Child World's fate is still hanging in the balance. The outcome, which includes new owners, management and financing arrangements, will undoubtedly affect the entire industry. Its troubles certainly have.

For example, Child World's huge Christmas 1990 price-cutting program, intended to reduce bloated inventories and earn some quick cash, actually weakened other toy retailers by forcing them to cut prices to match Child World's. And Child World was unable to substantially improve its liquidity and viability as a result of the program. The stores remain heavily burdened with unsold stashes of failed merchandise programs.

Last year, Child World lost $204 million on sales of $829 million, down from $830 million in 1989. The chain slipped from second place on *DSN*'s toy list to third, behind Kay-Bee, which benefited from its 330-store acquisition of Greenman Brothers' Circus World stores last August.

Lionel, now the fourth largest toy chain, down a notch from 1989, is probably the most troubled of the toy chains due to its Chapter 11 filing. It lost $11.2 million on an operating basis on sales of $426 million. In 1989, the chain had an operating income of $525,000 on sales of $429 million.

A year ago, Lionel's losses were attributed largely to the cost of fighting off a hostile takeover by Robert L. Toussie, a move that seems to have an afterlife for the chain.

Currently, Lionel, with 100 Kiddie City and Playland stores, also has a class action suit pending against it from a number of its shareholders who felt Lionel did not adequately consider the Toussie bid.

The bad times keep on rolling. Hobby Center Toys, Holland, Ohio, apparently closed its doors shortly after the first of the year, and the special, bicoastal operating arrangements organized for Tons of Toys recently fell apart.

Bruno Ferretti, president of Tons of Toys, left the chain to run six of the stores—five in Massachusetts and one in Rhode Island—on his own under a licensing agreement with Merchants West, parent of Tons of Toys and Karl's Toys. Last year, the two chains merged under Ferretti's Tons of Toys banner, since it was the public entity.

The bright spot in an otherwise bleak 1990 was Kay-Bee Toys, which rose to second on *DSN*'s toy chain list, due to its Circus World acquisition, which gave the chain $927 million in combined sales last year.

Kay-Bee now has the greatest number of toy stores in the country, 1,116, and plans to add another 10 stores this year.

Toy Liquidators, now No. 5 with sales of $81 million in 1990, was the only chain to report a rise in operating income for the year. It was up slightly, to $8.67 million from $8.59 million in 1989. Comparable store sales rose 3.2% at the chain, which operates 96 stores.

Greenman Brothers, which nearly exited the retail toy business when it sold Circus World, left itself with five Playland stores which chairman Stanley Greenman said will eventually be expanded.

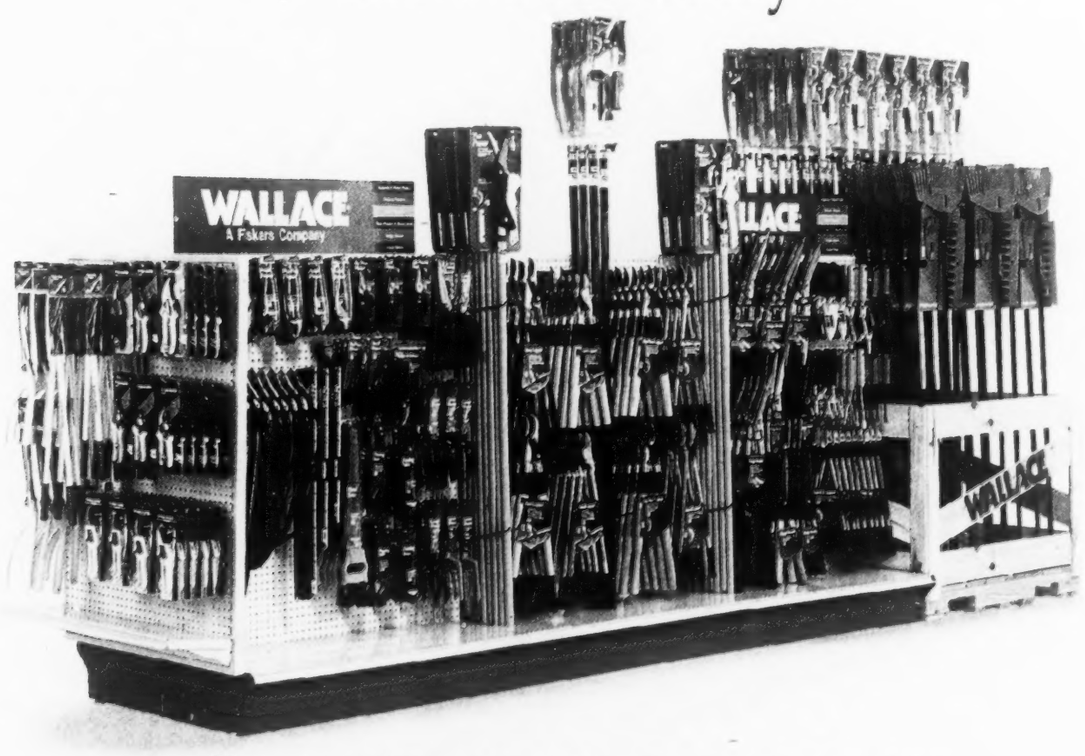
Top Toy Specialty Chains

Chain	Sales (In Millions) 1990	Sales (In Millions) 1989	% Change	Number of Stores 1/90	Number of Stores 1/91	Number of Stores Proj. 1/92	Average Store Size (000 Sq. Ft.)
Toys "R" Us Rochelle Park, N.J.	$4,180	$3,640	14.8%	404	451	498	46
Kay-Bee Pittsfield, Mass.	927	724	28.1	777	1,116	1,126	4
Child World Avon, Mass.	829	830	(0.1)	182	182	160	36
Lionel Kiddie City Philadelphia, Pa.	426	429	(0.6)	92	100	85	37
Toy Liquidators Milwaukee, Wis.	81	65	24.8	76	96	116	6
K & K Toys Norfolk, Va.	68	68	0.0	127	132	134	3
Circus World/Playland[1] Farmingdale, N.Y.	66	178	(62.9)	330	5	5	3
Karl's Toys Long Beach, Calif.	25	25	0.0	32	32	32	5
Tons of Toys Wareham, Mass.	24	26	(7.7)	28	20	20	12
Toy & Sports Warehouse White Plains, N.Y.	9	9	0.0	5	5	5	17
Toy King Orlando, Fla.	1	6	(91.7)	28	0	0	4
Total:	$6,636	$6,000	10.6%	2,081	2,139	2,181	—

[1]Circus World/Playland: Parent Greenman Bros. sold 330 Circus World stores to Melville Corp. (Kay-Bee) in August 1990.
( )-Loss

Source: DSN research

Silent but Deadly...



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1016

Not Enough Bounce in '90 Sports Goods Arena

Sales Flat For the Conventional Specialty Chains as Megastores Grab the Limelight

Sporting goods—the ultimate discretionary purchase—were hit particularly hard by the recession. Traditional specialty chains in this category felt the impact, while larger megastores gained market share.

Same store sales essentially were flat, the National Sporting Goods Association concluded in its annual marketing study, while sales overall rose 3.7% in 1990. For 1991, the NSGA marketing study predicts a 4% gain.

The 11 chains that *DSN* tracks showed an aggregate sales increase of 11.3% to an estimated $2.47 billion from $2.22 billion in 1989. But much of that estimated growth came from the 7.9% increase in units, especially megastores of 40,000 square feet.

At $200 to $250 in sales per square foot, such megastores as Sports Unlimited, Sports Authority (Kmart's 1990 acquisition), Sports Town, Academy Sports and Sportmart generate sales of $8 million to $10 million.

With same store sales flat, every dollar a megastore attracts means a dollar in sales that some conventional store is losing.

Herman's, which has cast its lot with conventional stores averaging 10,000 square feet, appears to be one of the chains losing sales. It has closed a number of units in the Southeast, pulling out of Atlanta entirely, for example.

Even though owned by a public company in Great Britain, Herman's refused to disclose what its sales were in 1990, although last year it readily acknowledged that 1989 sales remained flat at $680 million. *DSN* estimated that sales slipped 7.4% to $630 million.

Its new British owners, Isosceles PLC, put the chain on the block last year but then took it off when it failed to receive an adequate offer. It announced instead that it would rejuvenate the chain by remodeling stores.

Indeed, the new Herman's in Wayne, N.J., appears to be the basis for a new prototype.

Within the sporting goods industry, the word is that Isosceles still is disenchanted with Herman's and would readily divest the chain at an acceptable price.

Oshman's, as the only public company of the 11, illustrates the sales trend. At $318 million, its sales in 1990 were flat, compared to $317 million in 1989, for a gain of 0.3%. Same stores sales fell 3.5%.

For the second year in a row, Oshman's ran a pre-tax loss, widening to $6.4 million in 1990 from $1.5 million in 1989.

Since 1988, its last profitable year, Oshman's has closed a net of 23 stores, trimming store count to 189 from 212. Over the next two years, Oshman's plans to close 17 more, including a net of five this year.

It plans no new units of its Oshman's SuperSports USA concept in 1991, compared to two last year that came in at about 80,000 square feet, bringing the total to seven.

It will open two conventional stores this year, however, and two SuperSports units in 1992.

"The positive results achieved in those stores during the past year indicate that stores of this type will play an important role in our future," Oshman's has said.

Oshman's initially launched SuperSports as a high volume, low price retailer. But to increase margins and reduce operating costs, Oshman's dropped its everyday low price policy last year for SuperSports stores in favor of Oshman's normal pricing and merchandising.

On a positive note, Oshman's has signed a licensing agreement with a group of Mexican businessmen to launch a chain of stores in Mexico.

Consolidation and reorganization, rather than expansion through acquisition, are still the watchwords at Thrifty Corp., Los Angeles, operators of the Big 5, MC Sporting Goods and Gart Bros. chains.

Its parent, which also owns Thrifty Drug stores and the Bi-Mart discount store chain, announced that it expects to lose money in 1991. Although it refuses to break out either sporting goods sales or operating profits, it hinted at problems, saying that other retail units besides drug stores "were improving their performances."

In the latest sign of stress, Thrifty has taken the 10 units of the Casey's Sports Shop chain away from its Gart Bros. division and reassigned them to MC. Industry sources report that Big 5, with 129 of the group's total of 266 units, appears to be doing well, while MC, 65 units and Gart Bros., 72 stores, are struggling.

Meanwhile, the 1990s continues to develop into the decade of the megastore. Sports Authority, Kmart's acquisition, will open 17 more of its 40,000-square-foot units by year-end, shooting store count to 36.

Next month, Sports Authority will open nine stores in four new markets: Phoenix, three; St. Louis, three; Baltimore, two; and Norfolk, Va., one.

In November, it will open six more, including two in Atlanta, another new market. It also will fill in existing markets, opening two more stores in Orlando, Fla., and one each in Washington, D.C., Jacksonville and Miami, Fla.

In 1992, Sports Authority will focus on the New York metro market as it opens 15 more units. By the fall of 1992, it expects to be operating 10 to 12 megastores in the Tri-State market of Northern New Jersey, New York and Southern Connecticut.

Top Sporting Goods Specialty Chains

Chain	Sales (In Millions) 1990	Sales (In Millions) 1989	% Change	Number of Stores 1/90	Number of Stores 1/91	Number of Stores Proj. 1/92	Average Store Size (000 Sq. Ft.)
Herman's Carteret, N.J.	$630	$680	(7.4%)	266	258	264	10
Thrifty Corp.[1] Los Angeles, Calif.	600	520	15.4	256	266	274	NA
Oshman's Houston, Texas	318	317	0.3	190	189	187	12
Sportmart Niles, Ill.	210	190	10.5	24	24	26	40
Champs Sports Bradenton, Fla.	170	120	41.7	197	251	337	5
Academy Houston, Texas	135	97	39.2	25	27	31	26
Sports Unlimited Tampa, Fla.	112	59	89.8	11	18	24	40
Sports Authority Fort Lauderdale, Fla.	105	65	61.5	8	19	35	40
Modell's Sporting Goods East Meadow, N.Y.	91	80	13.8	31	36	37	15
Sports Town Atlanta, Ga.	82	75	9.3	11	12	12	50
Irving's Sport Shops Springfield, Va.	18	18	0.0	19	19	21	4
Total:	$2,471	$2,221	11.3%	1,038	1,119	1,248	—

[1]Thrifty Corp.: Operates Big 5, MC Sporting Goods, Gart Bros., Mages and Casey's Sports Stores Chains. Its fiscal year ends November 30.
( )—Loss NA: Not available. *Source: DSN research*

Oshman's, Atlanta: *A flat year in 1990, with sales up only 0.3%, but the chain has agreed to launch a spin off in Mexico.* (DSN photo)

Automotive Chains Ride Out Unstable Economy

The automotives aftermarket got at least three votes of confidence in recent months: the launch of a new warehouse chain called Auto Source, Indianapolis, and the successful initial public offerings of AutoZone, Memphis, Tenn., and Hi/LO, Houston.

But those positive signs flew in the face of numerous indications that competitive and recessionary stresses are getting to the automotives aftermarket:

- Northern Automotive, Phoenix, Ariz., recently scrapped the remnants of its Crown Auto chain that operated 57 stores when Northern bought it in 1988 for $8 million. Coupled with other closings, the failure of Crown Auto trimmed store count for the group to 760 from 850;
- Sales of Grand Auto, Oakland, Calif., slumped 5% in the fourth quarter of 1990. In an attempt to cut costs, it asked all vendors in April to cut prices by 5%. It closed all seven stores in the Los Angeles market in February and is down to 90 units from the 107 it had in 1989, when PACCAR acquired the chain;
- Trak Auto lost a net of $4.2 million last year on sales of $293 million from 331 stores, compared to net profits of $2.6 million on sales of $276 million from 308 stores. Moreover, Trak lost a net of $3.4 million more in the first quarter of 1991, although sales rose 11.5% to $75.7 million from a year ago. The chain blamed the loss on "lower margins due to market pressures;"
- Western Auto, owned by Sears, had to delay the opening of its first Auto America franchise store when its first franchisee partners had trouble securing financing. It had expected to open the first of six 1991 units in May but now looks to an August opening in Marion, Ind.;
- Action Auto, Flint, Mich., declared Chapter 11 bankruptcy in June 1990, slashing store count to 50 from 68;
- Cash woes have stalled the expansion of Auto Giant, Long Beach, Calif., at three warehouse units and prompted the chain to seek a merger with its sister warehouse chain, Auto Depot. A start-up company then without any stores of its own, Auto Depot rescued Auto Giant this spring by acquiring a California unit that Auto Giant built but was unable to open;
- Even though its operating profits overall rose 12% on an 11% sales gain in 1990, Pep Boys—Manny, Moe & Jack, Philadelphia, ran into "an abrupt decline in sales and profits" starting in September. It blamed the slump on the recession, lack of consumer confidence and the Gulf War. Pep Boys continued to feel the affects of the recession during the first quarter of 1991 when operating profits declined on record sales.

In the face of these danger signals, Canadian Tire, To-

(Continued on page 71)

Top Automotive Specialty Chains

Chain	Sales (In Millions) 1990	Sales (In Millions) 1989	% Change	Number of Stores I/90	Number of Stores I/91	Number of Stores Proj. I/92	Average Store Size (000 Sq. Ft.)
Western Auto[1] Kansas City, Mo.	$1,300	$1,200	8.3%	468	504	544	10
Pep Boys Philadelphia, Pa.	885	799	10.8	281	313	344	19
Northern Automotive[2] Phoenix, Ariz.	800	763	4.8	828	850	825	6
AutoZone[3] Memphis, Tenn.	672	536	25.4	520	553	593	6
Chief Auto Parts Dallas, Texas	400	375	6.7	503	518	535	32
WSR Group[4] Chicago	320	285	12.3	280	299	305	9
Trak Auto Landover, Md.	293	276	6.2	308	331	NA	NA
Nationwise Columbus, Ohio	290	270	7.4	270	205	205	9
General Auto[5] Renton, Wash.	205	195	5.1	134	139	145	6
Total:	$5,165	$4,699	9.9%	3,592	3,712	NA	—

[1]Western Auto: Includes company-owned Western Auto stores, (367 units as of June 11, 1991); 90 Tire America stores and 63 NTW tire stores.
[2]Northern Automotive: Includes Schuck's, Checker, Kragen, Crown and Autoworks chains.
[3]AutoZone: Figures for fiscal year ended Aug. 25, 1990.
[4]WSR Group: Includes Whitlock Auto, Rose Auto Supply and R&S Strauss.
[5]General Auto: Includes Grand Auto and Al's Auto Supply.
NA—Not available

Source: DSN research

Variety Chains Turn to Crafts to Beat Back Competition

As the number of variety stores facing discount store competition rose in 1990, so did the number of variety chains that turned to crafts retailing to reclaim sales and profits.

Most recently, Sprouse! variety stores, which reported operating losses of $1.6 million in 1989 and losses of $4.4 million in 1990, radically expanded crafts as part of an overall remerchandising at six test units last year. Crafts was more than doubled from an average of 45 linear feet to between 90 feet and 250 feet. In all, about 25% of the test stores are fabrics and crafts.

Bob Sprouse, hard lines merchandise manager, said 15 more units will be remodeled this year and most of the chain will have expanded crafts by year-end. "Crafts is definitely a growth area for us . . . It generates better margins than the store average," he said.

Among Ben Franklin franchisees, the percentage of owners who opted to run crafts stores vs. variety stores continued to climb last year to 250 out of 1,300 Ben Franklin locations. A year earlier, only five craft stores were in operation. Looking ahead, Dale Ward, president, estimated 90% of all store openings will be craft units. Similarly, at Winn's Stores, which does not franchise, 40 of 240 units have crafts.

While most variety chains have turned to crafts, Woolworth has put more of its muscle behind its domestic and international specialty stores like Foot Locker, and has reported declines in variety store count. Operating income for the variety chain dropped to $90 million in 1990 from $118 million the year before.

McCrory is one of few chains making its core variety business work. Phil Lux, chairman, said tough measures in 1989—such as heavy markdowns to clean out inventories—paid off last year. The 1990 figures were also benefited by the absence of T.G.&Y./Bargain Time red ink. "Last year was one of going back-to-basics," said Lux, noting that the T.G.&Y. acquisition backfired because the discount units were not suited to a variety format.

Regarding crafts, Lux said non-urban stores will typically have 40 linear feet to 50 linear feet. And while the category is strong and profitable, he feels the current size is sufficient.

The sales gains reported by craft chains without variety store roots like Ames' freestanding Crafts & More units, indicates why variety stores are looking toward this category for answers. The craft chains are now focusing on rapid expansion and cultivating a loyal customer base.

Michaels, for instance, has started a television show in select markets and is considering mail order based on the overwhelming response from viewers. John Popple, president of Leewards, said his chain has recently rolled out a successful frequent shopper program chainwide.

While store count for Crafts & More stores are down, Ames is rapidly expanding by building Crafts & More departments within its discount stores. The chain plans to explode the number of Crafts & More departments to 202 by the end of 1991, up from 123 last year and 33 in 1989. Crafts sales at both freestanding and Ames units were roughly $50 million last year, up from $20 million in 1989.

Top Variety/Craft Store Chains

Chain	Sales (In Millions) 1990	Sales (In Millions) 1989	% Change	Number of Stores I/90	Number of Stores I/91	Number of Stores Proj. I/92	Average Store Size (000 Sq. Ft.)
Woolworth New York, N.Y.	$2,151	$2,193	(1.9%)	1,024	1,016	1,003	NA
McCrory Stores[1] York, Pa.	1,509	1,372	10.0	1,063	1,147	1,067	NA
Ben Franklin Carol Stream, Ill.	1,000	850	17.6	1,275	1,300	1,335	10
Frank's Nursery[2] Stamford, Conn.	515	496	3.8	264	269	278	35
Michaels Stores Irving, Texas	362	290	24.8	122	137	141	15
Fred's Memphis, Tenn.	284	267	6.4	187	187	187	10
Sprouse-Reitz Portland, Ore.	224	223	0.4	287	264	231	16
Winn's Stores San Antonio	160	150	6.7	235	240	245	13
Leewards Creative Crafts Elgin, Ill.	131	104	26.0	69	82	94	13
Lamstons New York, N.Y.	64	61	4.9	27	27	27	5
Crafts & More[3] Rocky Hill, Conn.	19	14	35.7	17	15	14	15
Total:	$6,419	$6,020	6.6%	4,570	4,684	4,622	—

[1]McCrory: Prior to a $40.2M 'geographic restructuring cost' (i.e. 90 stores to be closed in 1991).
[2]Frank's Nursery: Sales include 10 Calloway lawn and garden centers.
[3]Crafts & More: DSN estimates for freestanding units only.
NA: Not available ( )—Loss

Source: DSN research

New Retailers Carving Up Office Supply Biz

Mergers, Acquisitions, Liquidations Rampant Among Office Megastores

The long expected shakeout in the office supply industry took place in 1990 resulting in a long list of mergers, acquisitions and liquidations.

Ultimately, the big chains got bigger and the smaller ones started to disappear. The vanquished closed their doors as a result of financing and operational troubles caused by too much competition for their small, underdeveloped companies.

There are fewer chains now than a year ago and the top four companies—Office Depot (including Office Club), Staples, BizMart and OfficeMax—garnered about three-quarters of all dollars spent in the nearly $2.2 billion industry. Their nameplates also claim two/thirds of all the units in operation.

Change has come fast and furiously for these operators, particularly in the past 18 months, which has seen the following take place:

- Office Depot merged Office Club into its corporate structure, making it a wholly-owned subsidiary of the larger chain. The move also strengthened Office Depot's No. 1 position in the industry;
- OfficeMax acquired Office World and Office Square and then sold Kmart a 22% equity in the company;
- BizMart sold itself to Intelligent Electronics, a computer products reseller;
- Staples made a major assault on the Southern California market, opening eight stores on its own followed by an 11-unit acquisition from HQ Office Supplies Warehouse.

In addition to these events, other major changes in the industry last year included:

- HQ Office Supplies Warehouse sold off its 13 stores to Staples and BizMart and canceled its merger with its Canadian affiliate. It now operates no stores in the United States;
- Jaffe's, which was owned by Abitibi-Price, the Canadian paper company, closed its stores and exited the business;
- Office Stop filed for Chapter 7 liquidation in May after closing two stores and failing to secure additional capital;
- O.P. Club and The Office Place merged their small operations, forming a 19-unit chain;
- OW Office Warehouse went public.

The near future promises to be equally eventful.

Office Depot's merger with Office Club—completed in April—will give the young office supply industry its first billion dollar company.

Last year, the combined sales of the two companies were $906.2 million from 173 stores. By the end of 1991, the chain should have sales approaching $1.5 billion from 240 stores, by far the largest company in the industry.

No. 2 Staples with just under $300 million in sales, is on a more conservative growth

(Continued on page 62)

Top Office Supply Megastores

Chain	Sales (In Millions) 1990	Sales (In Millions) 1989	% Change	Number of Stores 1/90	Number of Stores 1/91	Number of Stores Proj. 1/92	Average Store Size (000 Sq. Ft.)
Office Depot Boca Raton, Fla.	$626	$315	99.4%	67	122	162	21
Staples Newton, Mass.	299	182	64.1	38	74	120	18
Office Club Concord, Calif.	281	147	91.2	32	51	73	22
BizMart Dallas, Texas	259	133	94.7	31	51	79	22
Office Max Beachwood, Ohio	200	65	207.7	11	48	100	23
Arvey Paper & Office Products Chicago, Ill.	110	100	10.0	36	40	43	17
OW Office Warehouse Virginia Beach, Va.	80	23	250.2	12	23	45	20
HQ Office Supplies[1] Long Beach, Calif.	74	39	93.2	13	14	0	25
WORKplace St. Petersburg, Fla.	60	41	46.3	6	9	14	30
Office America Richmond, Va.	40	32	25.0	12	14	21	19
The Paper Cutter Liverpool, N.Y.	24	18	30.6	17	26	35	11
O.P. Club[2] Meza, Ariz.	22	18	22.2	8	10	10	15
The Office Place[2] Redwood, City, Calif.	20	18	11.1	12	10	10	15
National Office Warehouse Columbus, Ohio	16	24	(33.3)	3	2	2	12
Office Stop[3] San Antonio, Texas	13	0	100.0	1	7	0	30
Action Indianapolis, Ind.	10	10	0.0	4	4	3	20
Super City[4] Tucson, Ariz.	8	14	(42.9)	17	16	NA	15
Total:	$2,142	$1,179	81.7%	327	514	NA	—

[1]HQ Office Supplies: Sold all its U.S. stores to Staples and BizMart in first quarter of 1991.
[2]O.P. Club: Merged with Office Place in 1991 to form U.S. Supply Inc.
[3]Office Stop: In liquidation.
[4]Super City: In Chapter 11.
( )—Loss NA: Not available.

Source: DSN research

Top Hypermarket/Supercenter Chains

Chain	Sales (In Millions) 1990	Sales (In Millions) 1989	% Change	Number of Stores 1/90	Number of Stores 1/91	Number of Stores Proj. 1/92	Average Store Size (000 Sq. Ft.)
Meijer Grand Rapids, Mich.	$3,000	$2,800	7.1%	56	57	62	200
Wal-Mart SuperCenter[1] Bentonville, Ark.	530	220	140.9	6	9	11	NA
Bigg's Milford, Ohio	350	300	16.7	4	4	4	200
American Fare[2] Troy, Mich.	200	80	150.0	1	3	3	160
Holiday Mart Honolulu, Hawaii	101	93	8.6	3	3	3	75
Big Bear Plus Columbus, Ohio	100	79	26.6	4	5	11	100
Twin Valu Minneapolis, Minn.	100	60	66.7	1	2	2	180
Laneco Palmer, Pa.	100	95	5.3	14	14	14	83
Carrefour Philadelphia, Pa.	84	64	31.3	1	1	1	160
Auchan Houston, Texas	75	50	50.0	2	2	1	170
Giant Family Centers Mount Pleasant, Mich.	55	55	0.0	13	13	13	43
Total:	$4,695	$3,896	20.5%	105	113	126	—

[1]Wal-Mart SuperCenter: Includes 4 Hypermart USAs.
[2]American Fare: Unit in Jackson, Miss., is operated by Bruno's, Kmart's joint venture partner.
NA: Not available

Source: DSN research

Meijer Leads Field As Hyper/Supercenter Challengers Take Aim

The fledging hypermarket/supercenter industry is poised to become a major retailing factor in the next few years.

The reason: a number of companies are stepping up their expansion plans and/or strengthening their commitment to this retailing format.

Up to now, Meijer, the $3 billion, 57-store chain, has been the dominant hypermarket/supercenter retailer. It will retain that position for the next few years while other retailers—European companies that expanded into the United States and American firms that either began as combined food and general merchandise merchants or started hypermarket/supercenter arms—develop their diverse operations.

Three French hypermarkets—Auchan, Bigg's and Carrefour, have brought this concept to the United States with mixed success. Bigg's and Carrefour assert they are operationally profitable, with each planning to open at least one unit in 1992; Auchan has closed its Chicago store but contends it will expand in the Southwest from its Houston base.

This year, New Eldis Corp., an new American venture that traces its roots back to another French hypermarket company—the E. LeClerc Group, has opened its initial unit.

The store, called Leedmark, is described as a one-stop "hybrid-market." Company executives said the European term "hypermarket" hadn't caught on with American consumers, while the supercenter nomen-

(Continued on page 65)

DISCOUNT INDUSTRY ANNUAL REPORT

Office Depot, Atlanta: *Its merger with Office Club has strengthened its position in the industry.*

New Retailers Carving Up The Office Supply Business

(Continued from page 61)

plan. It is making major advances in California, soon to be its largest market, and New York.

Staples is focusing most of its expansion in California right now and expects to end the year with 31 to 33 stores, about a quarter of the company's total store count. New York, which as of April had 21 stores, should finish the year with about 28 units, making it Staples' second largest market.

Last year, Staples also created its first two Express store models in downtown Boston and Washington, D.C., and started a centralized delivery system for next-day delivery directly to customers. The program is intended to increase Staples' penetration to mid- and larger-sized businesses.

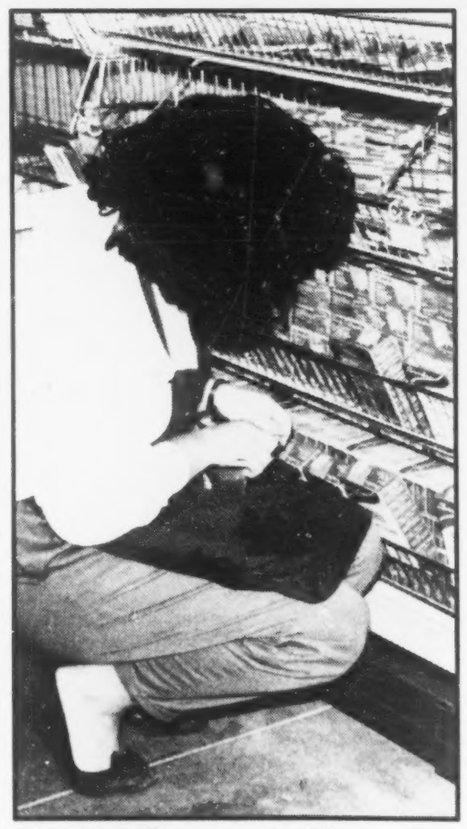
1990 was also busy for Office Max, which acquired two chains and sold a large equity position to Kmart. This year, the chain, now with 50 stores, expects to have 65 units and will enter Tidewater, Va., this fall, facing OW Office Supplies Warehouse, based here.

OW, a newly public company, plans on doubling the size of the chain by the end of this year, to 45 stores. Next year, it wants to be 70 units strong.

BizMart, the No. 4 office supply chain with 57 units and 1990 sales of $258.5 million, is now the core of Intelligent Electronics' retail group. The extra clout should help leverage the chain's expertise in computers into a major competitive edge. It also should position the chain for international expansion.

Intelligent's entry into office retailing was to have been led by Elliott Wahle, a former president of Toys "R" Us Canada, but on June 20 Intelligent said Wahle would not be joining the firm after all. No reason was given for Wahle's change of mind.

1991 may offer some hidden opportunities for two small chains, Office Place of Redwood City, Calif., and O.P. Club of Phoenix, now that they will operate as one company. The two chains, which are not completely similar, decided to combine their operations to strengthen their position in the industry.



Staples, Weymouth, Mass.: *The No. 2 chain opened eight new stores in 1990, then acquired 11-units from HQ.* (DSN photos)

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Meijer's Ahead in Hyper/Supercenter Field

(Continued from page 61)
clature is just starting to come into mass market use.

The first Leedmarks are being spotted in the Baltimore/Washington, D.C. area, after which New Eldis plans to grow the chain in adjacent markets.

The hypermarket business in the United States could get a big boost in the next few years. Carrefour, the world's largest hypermarket chain, plans to buy Euromarché, the parent company of Bigg's, as part of its drive to strengthen its international marketing position. That effort could also see Carrefour rapidly expanding its American presence through a merged Bigg's and Carrefour operation.

On the domestic scene, besides Meijer's, Giant Family Centers, Holiday Mart and Laneco are among the over half dozen merchants that have long operated merged food and general merchandise units, while during the past few years the concept has been probed by a number of discounters: Kmart with American Fare, Wal-Mart with Hypermart USA and Wal-Mart SuperCenters, ShopKo with Twin Valu and Harts/Big Bear with Big Bear Plus.

(A number of chains didn't make the listing as their sales were under $50 million. These included Lloyd's in Middletown and Newburgh, N.Y., and Holiday Plus and Family Thrift Center, both in Minneapolis.)

The combination of major long-time supercenter chains and new industry entries with over $50 million in volume is an evolving 11-company retailing segment that captured $4.695 billion in sales last year, up 20.5% from $3.896 billion in 1989. The number of stores grew 7.6% to 113 units from 105 stores.

As the industry starts to come of age, sales this year should increase to about $6 billion as at least another dozen stores come on line. The industry's overall performance this year is only the setup for major new developments that will drive its growth in the future.

The key move is Wal-Mart's decision, confirmed earlier this year, to rapidly grow its Wal-Mart SuperCenter arm with a minimum of four new SuperCenters this year and at least a dozen in 1992. Long-term, Wal-Mart, the nation's leading retailer, is considering converting traditional general merchandise discount stores into SuperCenters wherever it can.

The step follows the retailing giant's measured test of the supercenter concept during the past three years, culminating with five different sized units—91,500 square feet to 12,500 square feet—in operation by the start of this year. At least two more SuperCenters are planned for this year; four to six more are projected next year.

At the same time, Wal-Mart has halted its separate but related Hypermart USA test at four stores, converting their setup to the supercenter format of a blended discount store and supermarket. The Hypermart USAs had originally merchandised a narrow but deep assortment of food and selected general merchandise.

Wal-Mart isn't the only discounter set to expand into the hypermarket/supercenter arena. Kmart, the second largest discounter, is scheduled to unveil its first Super K this month, a 147,000-square-foot unit. The store is a true supercenter and follows Kmart's probe two years ago of cross-marketing of food and general merchandise through the opening of small supermarkets adjacent to two traditional Kmarts.

The Super K is also an outgrowth of Kmart's test of three American Fare hypermarket units. That experiment—which also focused on narrow but deep assortments of selected merchandise—is now in abeyance while Kmart proceeds with its broadly assorted Super K general merchandise/food units.

As for the other hypermarket/supercenter chains, Meijer's continues its measured growth, moving further into Ohio from its Michigan base while eyeing Kentucky and Indiana as expansion markets. Big Bear Plus plans to add more stores this year—mainly conversions of Harts discount stores into supercenters—while the other chains maintain their status quo while their focus on strengthening their operations. Long term, Harts is expected to convert most, if not all, of its discount operation into Big Bear Plus units.

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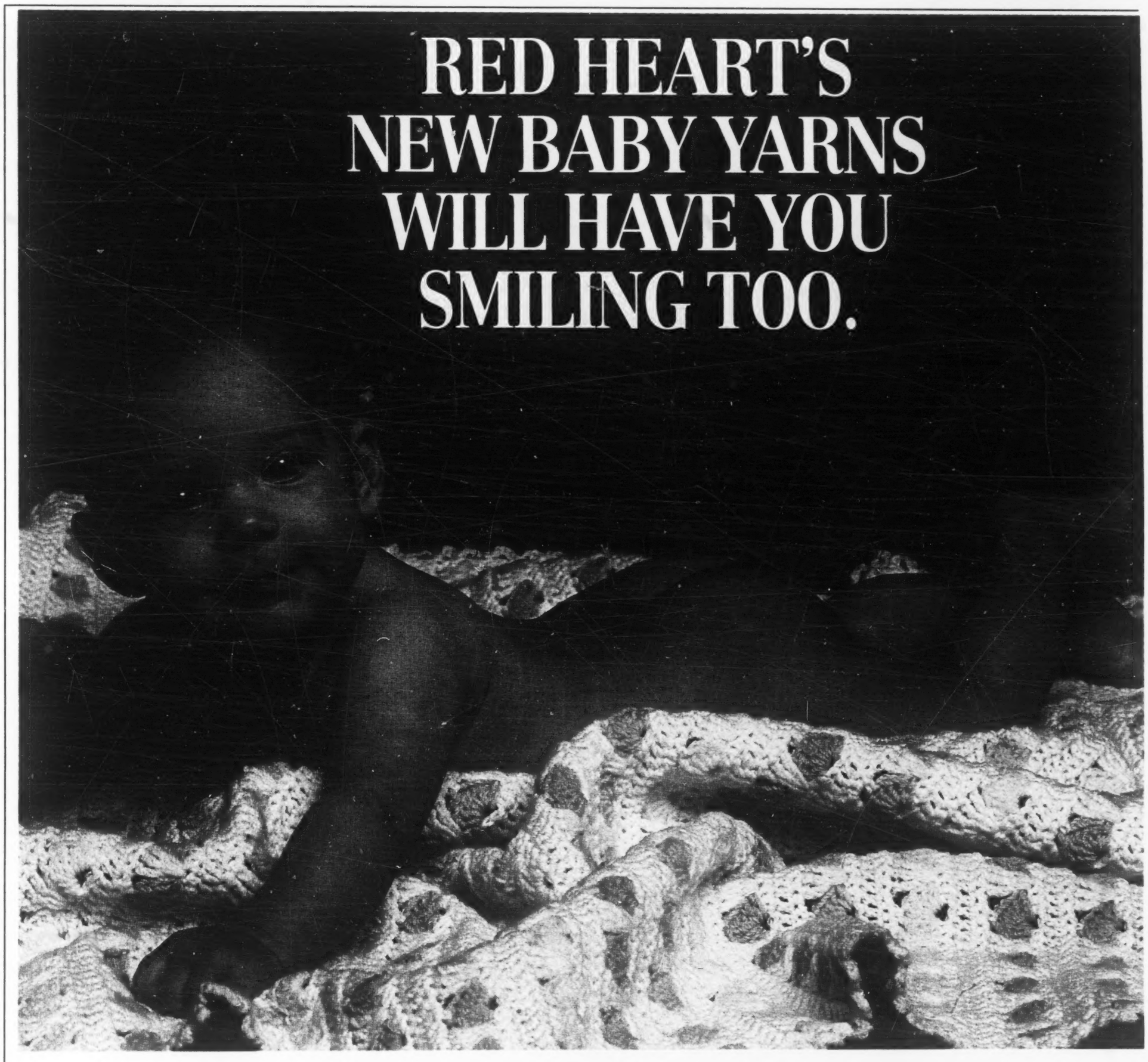

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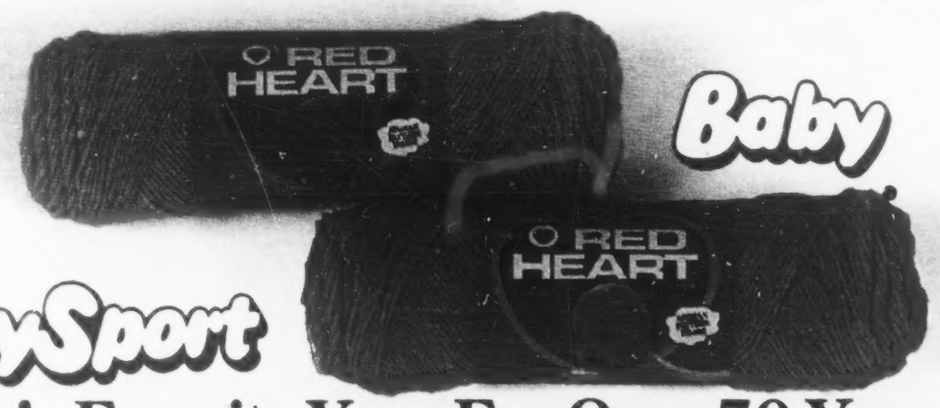

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ANNUAL REPORT/CLOSEOUT CHAINS

Recession-Hit Shoppers Flock to Closeouters

Despite pressures on operating profits, sales of the closeout retailing niche rose a robust 12.9% in 1990—as recession-hit shoppers sought out especially sharp bargains.

Store count rose to 925 in 1990 from 826, and closeouters expect to be operating 1,095 stores by year-end.

Consolidated Stores is back on a modest expansion track, with plans to open 23 more units, for example, while Tuesday Morning intends to open 17 more.

The major news for the segment during the past 18 months was the takeover battle that Pic 'N' Save, the second largest closeout chain, waged to remain independent. Based in Dominguez, Calif., Pic 'N' Save underwent a costly proxy battle with David Batchelder, formerly a top aide to corporate raider T. Boone Pickens.

After a series of legal skirmishes that cost the company $19.2 million, Pic 'N' Save made peace with Batchelder by granting him two seats on the board and agreeing to a corporate shake-up.

Gone was Lewis B. Merrifield III as chairman and chief executive officer. In his stead, an outside chairman, Peter S. Willmont, former chairman and chief executive officer of Carson Pirie Scott, was appointed, and Len Williams was hired as president and chief executive officer.

Williams previously was chairman and chief executive officer of Gold Circle and then president of Caldor. A Canadian exec, Williams came to his new post from New Zealand, where he was ceo of Lion-Nathan, a conglomerate with interests in supermarkets and Coca-Cola bottling.

The proxy battle cut into operating profits, which plunged $37.1 million from $55.4 million, although sales rose 11% to $529 million from $475 million. Operating profits last year are less than half the peak of $85.7 million reached in 1987 on sales of $361.7 million.

In a bid to shave expenses, Pic 'N' Save sold the 14-unit Job Lot Pushcart division in August 1990. During the third quarter, it expects to open its new $60 million distribution center in New Orleans to support expansion into the Southeast. But it plans to add only four stores this year to its count of 191.

At the nation's largest closeout chain, Consolidated Stores saw operating results turn around as the chain ceased its flirtation with full-line discounting and returned to its closeout roots under a new ceo, William G. Kelley.

Sales rose 11.6% to $662 million from $594 million, and the chain showed an operating profit of $15.2 million, compared to an operating loss of $5.2 million in 1989. Same store sales rose 10%, a turnaround from an 11% decline in 1989.

(Continued on page 68)

Top Closeout Chains

Chain	Sales (In Millions) 1990	Sales (In Millions) 1989	% Change	Number of Stores I/90	Number of Stores I/91	Number of Stores Proj. I/92	Average Store Size (000 Sq. Ft.)
Consolidated Stores Columbus, Ohio	$662	$594	11.4%	336	337	360	20
Pic 'N' Save Dominguez, Calif.	529	475	11.4	190	191	195	20
Tuesday Morning Dallas, Texas	107	97	10.3	114	132	149	70
Building #19 Hingham, Mass.	83	82	1.2	9	9	10	20
Odd Job Trading[1] New York, N.Y.	64	58	10.3	16	18	18	15
Everything's A $1.00 Milwaukee, Wis.	59	38	55.3	61	108	183	3
Dollar Tree Norfolk, Va.	53	35	51.4	100	130	180	3
Total:	$1,557	$1,379	12.9%	826	925	1,095	—

[1]*Odd Job Trading: Includes Odd Job, Peddlers Mart, Just Closeouts and The Closeout Store.*

Source: DSN research

*Source: ITA Shipments, December, 1989 "Polaroid," "OneStep," "OneFilm" • Polaroid • 1991

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Deep Discount H&BA Chains Grow Rapidly; Expand Product Mix

Discount drug chains had a banner year, with the category being among the most active in 1990. Though not quite recession-proof, the drug chains managed to grow steadily with nary a stretch mark.

Overall, sales for the discount sector of the category was up by 13%. This was ahead of all drug chains, which industry estimates put at 9% above 1989 levels.

Housewares, stationery, and photo and video products have become a bigger piece of the deep discounter's pie.

Expanded formats in 1990 were being tested by Phar-Mor, whose adjacent Phar-Mor Entertainment centers provide video sales and rentals, music and audio electronics. Freddy's, Woonsocket, R.I., is currently testing in-store photo labs.

In 1990, however, traditional product categories, especially prescription and over-the-counter medicine still accounted for the highest percentage of sales.

Except for Nichols Pharmhouse, a newcomer to the list which changed formats in 1990, the remaining discount drug retailers reported increased sales. Five chains actually managed to record increases of more than 20%. This included the leader of the pack, Phar-Mor.

At $1.6 billion in sales, Phar-Mor, outpaced its Ohio neighbor Drug Emporium by a generous margin. Phar-Mor opened 57 stores in 1990 and ambitious growth plans project another 70 store openings in 1991. Many of these will be in new markets for the drug retailer including: California, New York, Delaware, Kansas and Arkansas.

Though Drug Emporium's total 1990 sales came close to that of Phar-Mor, $1.2 billion, only about half of that was

(Continued on page 68)

Top Deep Discount Drug Store Chains

Chain	Sales (In Millions) 1990	Sales (In Millions) 1989	% Change	Number of Stores 1/90	Number of Stores 1/91	Number of Stores Proj. 1/92	Average Store Size (000 Sq. Ft.)
Phar-Mor Youngston, Ohio	$1,600	$1,300	23.1%	165	232	302	NA
Drug Emporium[1] Worthington, Ohio	624	492	26.9	83	NA	NA	NA
F&M Distributors Warren, Mich.	588	554	6.1	75	95	113	NA
Pic 'N' Save Jacksonville, Fla.	400	410	2.4	41	41	NA	NA
Marc's Middleburg, Ohio	310	245	26.5	19	21	NA	NA
Rockbottom Port Washington, N.Y.	250	220	13.6	27	31	NA	NA
Freddy's Woonsocket, R.I.	194	162	19.8	25	29	31	27
Nichols Pharmhouse[2] New York, N.Y.	90	214	(57.9)	34	19	19	42.5
Drug Palace Shiremanstown, Pa.	82	81	1.2	54	52	52	NA
Dot Drug Lenexa, Kan.	76	74	2.7	14	14	14	NA
A.L. Price Warren, Mich.	70	54	29.6	16	14	14	20
Rx Palace New York, N.Y.	66	53	24.5	13	22	NA	NA
Cost Cutters Somerville, N.J.	45	42	7.1	9	9	NA	24
Total:	$4,395	$3,901	12.7%	575	579	NA	—

[1]Drug Emporium: Company-owned stores only; excludes franchises.
[2]Nichols Pharmhouse: Declared Chapter 11 bankruptcy and changed format to deep discount drug store from full-line discount store in 1990 and changed its name to Nichols Pharmhouse.
( )—Loss NA: Not available. —— Source: DSN research

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Deep Discount H&BA Chains Grow Rapidly

(Continued from page 67)
gained through its corporate stores. These stores are becoming more important to the discount drug chain. Since going public in 1988, Drug Emporium has been working toward opening more company stores and reducing the number of its franchise operations. This is the first year its corporate-run stores outnumbered franchises. It has continued to buy back a number of franchises in various markets.

Last year the company stated it planned to have 225 corporate stores by 1994, a realistic goal given its recent efforts.

The third-largest discount drug chain, F&M Distributors, announced it had a record year in 1990. Sales hit $588 million and the company reported it had gained record profits. Its strength continues to be in the major metropolitan markets such as Chicago, Detroit, Baltimore and Minneapolis. The 21 stores it opened in 1990 were concentrated in its already existing operating areas.

This year, F&M expects to increase the number of stores in Chicago, one of biggest markets, to a total of 33. In Detroit, two new units will bring the number of F&M stores to 25.

Though small by comparison to the two Ohio giants, Drugs For Less, a chain based in Bessemer, Ala., made the largest percentage sales leap, going from $16 million in sales in 1989 to $40 million in 1990.

Notable for its poor performance in 1990 is Nichols Pharmhouse, which recently declared Chapter 11 and had a decrease in sales of more than 57%.

In 1989, its parent company, S.E. Nichols, changed its format from a full-line discounter to a deep discount drug store. The problems were evident early on as announcements that the chain could not meet its debt interest payments foreshadowed its bankruptcy announcement. The chain currently has 19 stores, down from 34 stores it ran last year.

Store closings also occurred at Drug Palace, which went from 54 stores in 1990 to 52.

A.L. Price began 1990 with 16 stores and now numbers 14. This seemed to streamline operations for the chain, which had sales of $70 million in 1990, compared to $54 million in 1989.

After being sold by Wal-Mart in early 1990, Dot Drug Stores have managed to inch ahead with a 2% sales increase. Wal-Mart decided to sell the dot chain, while concentrating on its in-store pharmacies.

New store designs have been the trend in H&BA sections at full-line discounters as well as in deep discount drug stores.

Freddy's, a division of Melville Corp., continued to roll out an improved racetrack design in its stores. Another service-oriented change made by the company was hiring more cashiers to reduce checkout time.

F&M has also upgraded its look to better serve its urban customer base.

Recession-Hit Shoppers Flock To Closeouters

(Continued from page 66)
Operating profits, however, remain far below the banner year of 1988, $41.6 million.

At Dallas-based Tuesday Morning, operating profits kept pace with a 10.3% sales increase to $107 million from $97 million. Tuesday Morning opened 18 units in 1990 and expects to open 17 more stores by year's end of 1991.

Its sales and profits continue their steady growth under Tuesday Morning's unique operating concept: its stores are open only during the four peak selling seasons each year, including Easter and Christmas.

New markets it entered last year include Cincinnati and Columbus, Ohio, and Charlotte and Raleigh, N.C. It now operates in 52 cities from Chicago south to Ohio and into North Carolina.

Specialty closeouting continues to flourish at two chains that specialize in goods that sell everything for a dollar. **Everything's a $1.00, Milwaukee, is owned by Value Merchants, operators of the Toy Liquidators closeout chain. Its sales rose 55.3% in 1990 to $59 million from $38 million in 1989. It plans to open 75 more stores of about 3,000 square feet this year, which would bring year-end store count to 183.**

Owned by K&K Toys, Dollar Tree, based in Norfolk, Va., also saw its sales jump more than 50% last year to $53 million from $35 million. The company expects to open 50 small stores for a year-end total of 180.

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Auto Chains Ride Out Unstable Economy

(Continued from page 58)
ronto, has tightened the competitive screws a notch by launching a U.S. chain of automotive warehouse units called Auto Source.

Auto Source opened the first 47,000-square-foot unit July 12 in Indianapolis and will open the second warehouse there next month. A third store should open its doors in October, with 10 to 12 more units opening next year.

Canadian Tire took the plunge, even though it lost $200 million on its ill-fated acquisition of White Auto Stores during the mid-'80s, because it has saturated its Canadian market.

The initial public offering of AutoZone, Memphis, Tenn., in April, provided a look at a chain that is prospering, despite the recession.

Sales for AutoZone rose 25% in the fiscal year ended Aug. 25, 1990, to $672 million from $536 million the previous year. Operating profits almost doubled to $49.3 million from $24.9 million in 1989.

For the six months ended Feb. 9, 1991, AutoZone saw its operating profits increase 80% on a 15% sales gain from 553 stores.

AutoZone was able to sell 3.5 million shares for $23 a share, against an expected range of $17 to $19 for 3.25 million shares. It raised $84.8 million to pay down debt.

Hi/LO, which currently operates 108 stores, went public last month, selling a one-third stake, or 3.2 million shares, at $12 per share. The chain will use the $38 million to pay off its LBO debt.

The only acquisition over the past 18 months was the long-delayed $115 million leveraged buyout of Whitlock Auto. Merrill Lynch Capital Partners acquired Whitlock, composed of Whitlock, R&S Strauss and Rose Auto chains, last July and renamed it the WSR Group.

Although Auto Giant struggles, the Auto Parts Club, San Diego, is driving ahead with expansion. Since its 1989 launch. Auto Parts Club has opened seven clubs in California and an eighth in Phoenix.

In addition, it is opening two more automotives warehouse clubs in the San Francisco Bay area and is building two in San Antonio, Texas, for a total of 12.

In another test of warehouse units, 150-store Discount Auto Parts, located in Lakeland, Fla., opened a 36,000-square-foot unit called Disco Depot Auto Parts, in Hialeah, Fla.

Wal-Mart Passes Kmart For No. 1

(Continued from page 39)
like Elliot Bay in men's wear and Merona in women's. The retailer also improved its distribution center technology and accelerated its Quick Response Partnership program with vendors.

However, despite the dominance of the Big Three, it should be noted that four other billion-dollar-plus discounters had strong sales gains in '90.

Fred Meyer, the Portland, Ore.-based discount retailer, neared the $2.5 billion sales mark with an 8.6% sales gain last year. The departure of chairman Fred Stevens leaves a management void, but the chain continued to hold a strong consumer franchise in its Pacific Northwest trading areas.

Caldor, Norwalk, Conn., is one of the turnaround stories of the year. The chain was positively revitalized by its spinoff from the May Department Stores Co. Even though its new prototype had been rolled out in only a handful of stores, Caldor achieved a 12.7% sales gain last year to nearly $1.8 billion in sales.

ShopKo was so successful last year that its parent company, Super Valu, decided to spin the chain off last month through a public offering of stock. The Green Bay, Wis.-based chain hit $1.7 billion in sales, an 11.6% rise over 1989.

Another chain to benefit greatly from its exit from May Department Stores was Venture. The O'Fallon, Mo.-based discounter achieved a 35.9% sales gain last year, topping $1.4 billion in sales.

There were also some success stories among middle-tier chains: Value City sales grew 25.1% to $538 million; Stein Mart achieved a 22.6% sales gain to $195 million, Jack's grew 12.1% to $167 million, and Goldblatt's had a 12.8% sales gain to $59 million.

Of course, the discount segment contained its share of woeful stories: Ames' sales dropped 35.4% to $3.1 billion (about the same as prior to its ill-fated acquisition of Zayre); Smitty's dropped 10.2% (as its parent looks for a buyer); Harts plunged 18.6%; and the now-liquidated Sky City chain fell off by 50% last year.

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ANNUAL REPORT/DOLLAR DISCOUNT STORE CHAINS

Top Dollar Discount Store Chains

Chain	Sales (In Millions) 1990	Sales (In Millions) 1989	% Change	Number of Stores 1/90	Number of Stores 1/91	Number of Stores Proj. 1/92	Average Store Size (000 Sq. Ft.)
Family Dollar[1] Charlotte, N.C.	$874	$757	15.5%	1,680	1,755	NA	7
Dollar General Scottsville, Ky.	653	615	6.2	1,378	1,461	1,476	6
Bill's Dollar Stores Jackson, Miss.	250	245	2.0	500	555	555	6
Bargain Town Montgomery, Ala.	59	55	7.3	62	67	67	12
Total:	$1,836	$1,672	9.8%	3,620	3,838	NA	—

[1]Family Dollar: Sales are for fiscal year ended Aug. 31. *NA: Not available.* *Source: DSN research*

Dollar Discount Chains Restrain Expansion, Boost Bottom Lines

Cost control was the name of the game in the dollar discount store business last year. Low ticket merchandise—usually under $18—coupled with low income consumers—often making under $15,000 per household—and slim gross margins make bare bone costs and peak efficiency a necessity, not just a way of boosting profits for these retailers.

The current year appears to be one of pulling in the reins on expansion for most of the dollar stores as they take time to assimilate the many new openings of 1990 and prepare for an uncertain economy going into the second half of 1991.

During their last fiscal year, the two largest dollar store chains, Family Dollar and Dollar General, stepped-up investments that would curb long-term costs, especially distribution networks and management information systems. Key to controlling costs for both of the two chains means "continuing to be free of long-term indebtedness," as stated in Family Dollar's annual report to stockholders.

Both of the chains have made major capital investments during 1990 using internally generated funds.

Nearly complete overlap in Family Dollar's and Dollar General's overall trading area resulted in another year of competition between the two giants. The two chains share 23 states covering most of the Eastern seaboard (except New England states) and extending west to Texas. Four Family Dollar states—New York, New Jersey, Michigan and Wisconsin—are not shared by Dollar General.

Based on sales and earnings increases, both chains had a strong 1990, but the shining star among the dollar stores last year was clearly Family Dollar.

Family Dollar's operating income soared 36% above 1989 figures and comparable store sales were up 7.7%. The building blocks of this success included the absence of long-term debt and a zone-pricing policy that allows the chain to maintain gross margin levels in low to moderately competitive markets and reduce margins where warranted by intense competition.

In addition, Family Dollar's private label program continues to be accepted by store customers. Private label apparel, health & beauty aids, commodity paper items and other merchandise has helped the chain build profits as it builds value for its budget-conscious customer.

Last year's capital investments included Family Dollar's second distribution center. In the past, all of the chain's stores were shipped from a single 785,000-square-foot distribution site at its Matthews, N.C., headquarters. Now the chain ships high

(Continued on page 74)

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Maxx Vies With Marshalls for Off-Price Crown

(Continued from page 44)
$8 million. Though no new president has been named to succeed Unrine, earlier this year the chain named Michele Fortune as its executive vice president of merchandising and marketing. The former chief executive officer with Ann Taylor, the better-price women's apparel chain, should bring a fresh fashion outlook to the chain.

Now for the good news. Three chains did manage significant increases in 1990—significant in that they shifted the ranking of the apparel retailers' list.

Filene's Basement, Wellesley, Mass., reported sales increases of 11.8%. Net income for the chain was reported as $12.3 million compared to $5.5 million in fiscal 1989. The chain's format also allows for very high sales per square foot. One analyst estimated its 1990 average was as high as $426.

In April, the chain went public and announced plans to expand into new markets, including Chicago, where it plans to build a unit that will mirror its flagship Boston store.

More growth was reported by One Price Clothing and 50-Off. These two Southern chains had the largest percentage sales increases of the major players.

Sales for One Price Clothing, Spartanburg, S.C., increased to $110 million, from $79 million in 1989. The 39.2% increase was helped by the aggressive number of store openings last year. One Price Clothing opened 70 stores in 1990, bringing the total of stores to 295. It plans to open 65 stores this year.

The smaller 50-Off chain, San Antonio, Texas, had the second largest percentage sales increase, 36.8%. Its earnings for 1990 actually doubled. Operating income in 1990 was $4.2 million, compared to $2.1 million in 1989.

Other off-price apparel retailers held their own in 1990. Kids "R" Us, Rochelle Park, N.J., retained its status as the leading children's wear apparel retailer.

Two other New Jersey-based discounters—Burlington Coat and Syms—reported moderate gains in sales and earnings.

Goody's Family Clothing, Knoxville, Tenn., opened 10 stores and increased sales by 11%.

Meanwhile, sales at Loehmann's, Bronx, N.Y., remained flat.

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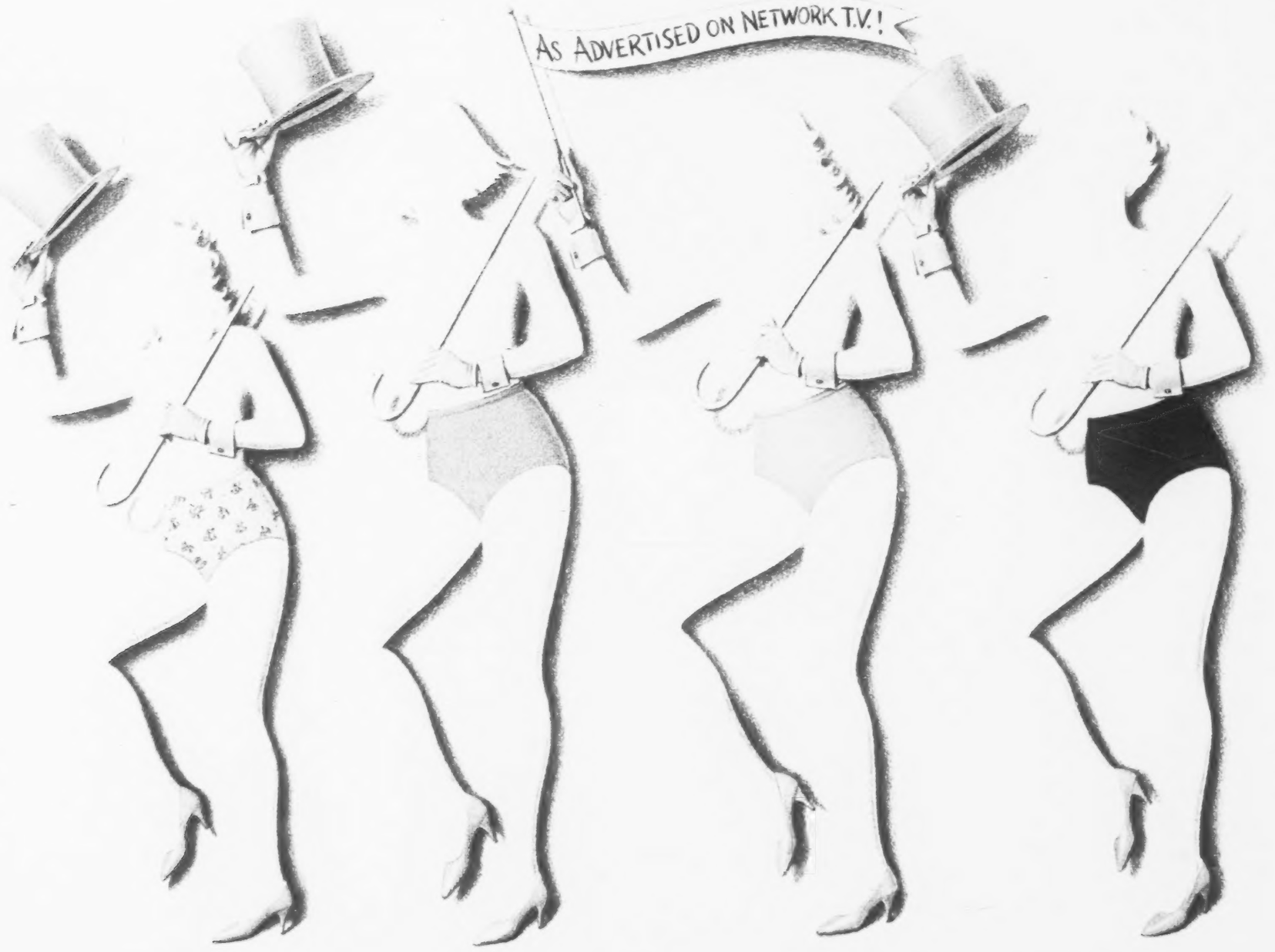

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Dollar Discount Chains Restrain Expansion, Boost Bottom Lines

(Continued from page 72)
volume bulk merchandise to about 550 stores from its new 160,000-square-foot DC in Maumelle, Ark.

Dollar General managed to generate a comparable store sales increase of 1.7%, while maintaining a very aggressive store opening agenda. A total of 83 units were opened, compared with 75 by Family Dollar. Last year was also devoted to reducing inventory levels by $30 million and cleaning up existing inventories.

Dollar General spent $17 million of internally generated funds on new automated distribution and MIS systems last year. During 1990, the retailer was also able to further reduce its shrinkage level to 2.8%; four years earlier it had been nearly 4%.

The attention given to new units at Bill's Dollar Stores coupled with a generally sluggish economy in its Southeastern trade area resulted in flat same store sales at the chain. Bill's opened 55 new stores last year, but is using 1991 as a year of catching up with its own expansion pace; no stores are due to open during the current year. Eighteen store remodelings are expected to be completed by year end.

Unlike any other dollar store operator, four of Bill's 555 units are leased departments within grocery stores. The first Bill's store within a store department was opened in a Sack and Save food store in Meridien, Miss., in March 1990.

Bargain Town, whose parent, Enstar, has been under Chapter 11 protection since January, reported comparable store sales increases of 8.9% in 1990. At the same time the predominantly soft lines chain added five new stores, including its first Florida locations.

Last year, the top four chains of the dollar store industry had an average sales increase of almost 10% with 6% more stores. Same store sales were up an average of 4.6%.

Sears, Ward Struggle During Transformation

Sears' decade-long problems continued in 1990, as retail sales actually lost ground to $19.4 billion from $19.5 billion the year before, and profits plummeted to $49.7 million (after a restructuring charge of $181.5 million) from nearly $500 million the previous year.

Competitor Montgomery Ward, despite a tough second half, saw its sales and net profits rise slightly, to $5.1 billion from $5.0 billion in sales, with net profits of $153 million, compared to $151 million the previous year.

Ironically, Sears, under chairman Edward Brennan, seems to be emulating "little brother" Ward, which is operated by Brennan's real-life younger brother, Bernard. To make the family connection all the more poignant, the two chains were rumored to be discussing merging in mid-1990.

Sears' problems stem from attempts to turn the hard lines-dominated behemoth into a stylish, everyday low priced collection of specialty destination departments in the late 1980s. Ward had made a similar transition, with more success, in the mid-1980s.

In March of 1989, every Sears store closed for three days to reprice its entire inventory. The reopening may have been the most well-advertised event in the history of retailing, and might be remembered as one of the least successful. Because, in adopting an EDLP strategy, Sears simply didn't go far enough. Its prices were in most cases *not* as low as its main competitors (Kmart and Wal-Mart), but they *were* too low for the venerable retailer's notoriously high cost of doing business.

By early 1990, Sears was bleeding cash. Its core customers, drawn by the service, selection and easy credit, were still buying, but at lower prices. The cherry pickers, responsible in the past for billions in sales during the company's promotions, had left with the end of the sale strategy. And new customers simply weren't walking in.

Sears now seems to be concentrating on cutting costs (over 20,000 employees have been laid off) and building the dominance of its destination departments. The company has been highly aggressive in acquiring exclusive or semi-exclusive brands (like Xerox and IBM) and licenses, and has upgraded its apparel and consumer electronics offerings, to name two. Today, like Ward, Sears is clearly a name brand discounter. Accordingly, *DSN* has classified Sears as a Specialty Mass Retailer (SMR) and added the company (its U.S. store sales only) to the *DSN* Top 150 list. Ward, which was added to the Top 150 last year as a full-line discounter, has been reclassified in the more appropriately titled SMR. However, in order to preserve the integrity of year-to-year sales comparisons, neither Sears' nor Ward's sales are included in *DSN's* estimates and projections for discount retail sales.

Sears has made progress in adapting to a changing market. The question is, has it moved fast enough?

Top Specialty Mass Retailers[1]

Chain	Sales (In Millions) 1990	Sales (In Millions) 1989	% Change	Number of Stores I/90	Number of Stores I/91	Number of Stores Proj. I/92	Average Store Size (000 Sq. Ft.)
Sears[2] Chicago, Ill.	$19,400	$19,500	(0.5%)	847	863	878	NA
Montgomery Ward Chicago, Ill.	5,128	5,028	2.0	333	343	NA	66
Total:	$24,528	$24,528	0.0	1,180	1,206	NA	—

[1]*Classified as SMR due to everyday low price strategy, addition of national brand name merchandise and specialty store-within-a-store concept.*
[2]*Sales include U.S. Sears stores only.*
( )—Loss NA—Not available
Source: DSN research

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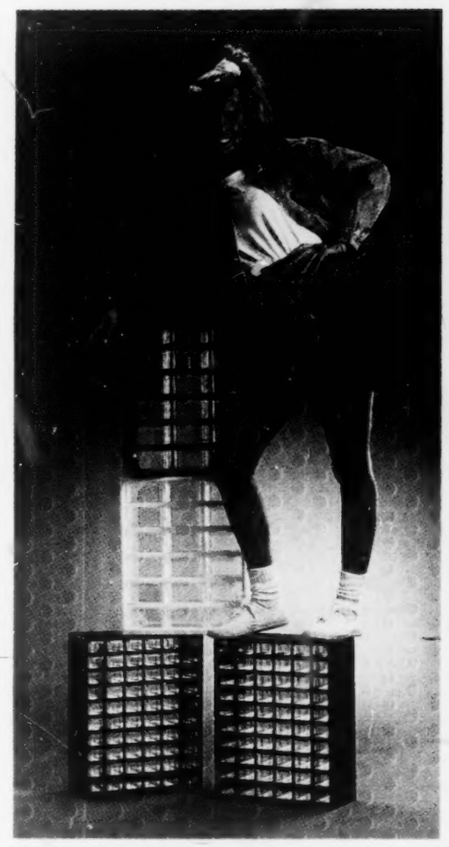

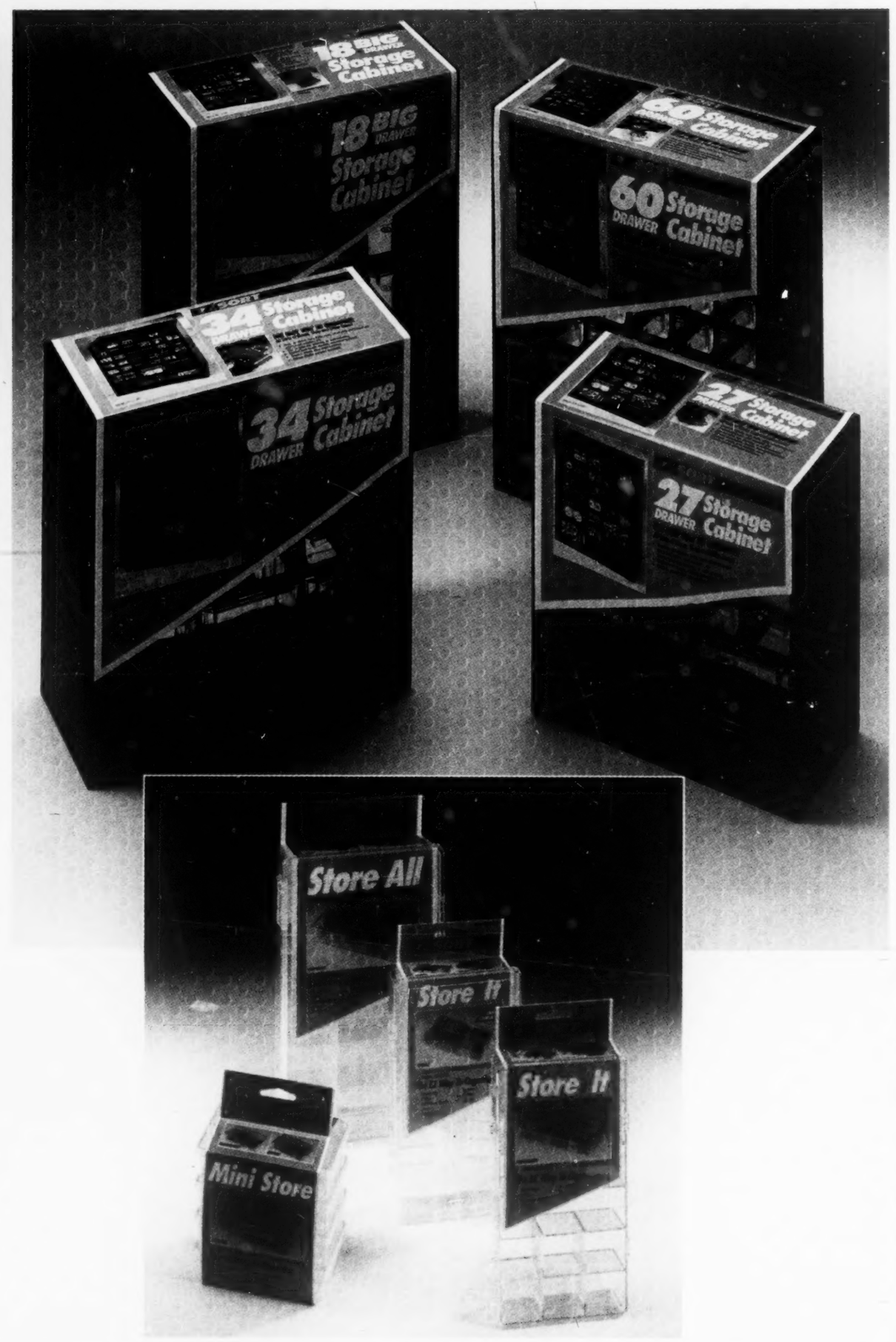

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HSN, QVC Rule Electronic Retailer Category

Top Electronic Retailers

Chain	Sales (In Millions) 1990	1989	% Change
Home Shopping Network Clearwater, Fla.	$1,008	$ 774	30.2%
QVC Network[1] West Chester, Pa.	776	453	71.2
Total:	$1,784	$1,227	45.4%

[1]Includes sales from CVN, acquired October 1989. Source: DSN research

The TV home shopping field continues to ferment despite its coalescing into a two-company business that recorded one of the greatest sales gains of any retailing segment last year.

The industry's 45.4% sales jump to almost $1.8 billion, spurred by the Home Shopping Network's climb past the $1 billion mark, reflects the two teleshoppers' expanding their reach to more households, and the resulting growing consumer acceptance of this retailing medium.

The two teleshoppers, HSN and QVC, are also leveraging their businesses by augmenting and diversifying operations to capture additional sales.

HSN's efforts include investing $30 million in, and providing back-office, telephone and other technology support for SkyPix Cable Partners, a joint venture service that will provide direct broadcast satellite TV service for cable systems using technology that will provide a sharper, clearer, interference-free picture. The digital interactive service, whose other partners are SkyPix Corp. and Northwest Starscan Ltd., plans to offer movies, home shopping and other programming.

HSN also has divisions that provide travel, insurance and apparel mail order services to consumers and video programming and telecommunications services to businesses.

QVC has acquired a simulated diamond maker and has made agreements with Hollywood and Broadway entertainers and sports personalities to sell their exclusive items.

HSN boosted its reach via cable and broadcast TV last year to 54.3 million households, a 9% jump from the 49.8 million homes able to view the teleshopper's three different programs—HSN 1 (carried full-time on cable and satellite TV), HSN 2 (aired full-time over broadcast TV stations) and Spree (shown full-time or part-time by broadcast and/or cable stations).

HSN airs HSN 1 over about 1,500 cable TV systems. It owns 12 broadcast TV stations and has agreements with 112 other broadcast and low power TV stations to carry its HSN 2 programming either full- or part-time. It began presenting shopping programs on broadcast TV stations as cable systems began investing in cable-only teleretailers.

QVC is the surviving exclusively cable TV merchant.

QVC last year extended its reach 12.5%, to 36.1 million cable TV homes from 32.1 million households in 1989. That figure, however, doesn't include about 4 million households able to view both QVC and CVN, another cable TV teleretailer acquired by CVN in the fall '89. Teleshopping programming rights to those homes were leased out to the JCPenney Shopping Networks, the cable video retailing arm of the JCPenney department store chain.

QVC operated CVN as a separate teleselling network until its integration into QVC in March 1990.

JCPenney, meanwhile, became disenchanted with its teleshopping operation, which didn't meet company sales expectation. It leased out rights to reach the 11 million households accessed by the JCPenney Shopping Network to QVC in May 1991.

QVC gained about 4 million households that didn't already receive its teleshopping show; in October it will began airing a separate teleshopping program to the approximately 7 million homes that had received both the QVC and JCPenney Shopping Network shows.

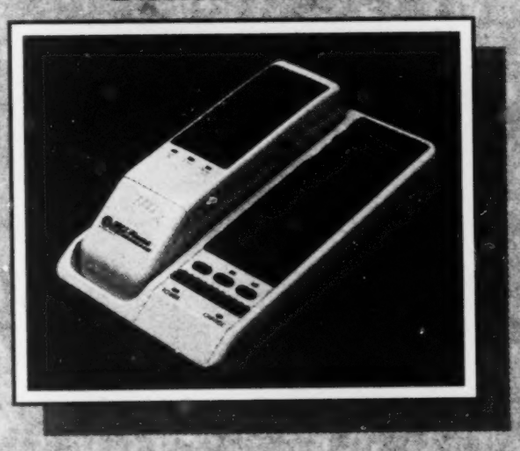
"HEADING FOR THE FUTURE"

Northwestern Bell Phones' slogan for the new decade is

"Celebrate The '90s . . . The Best Is Yet To Come!"

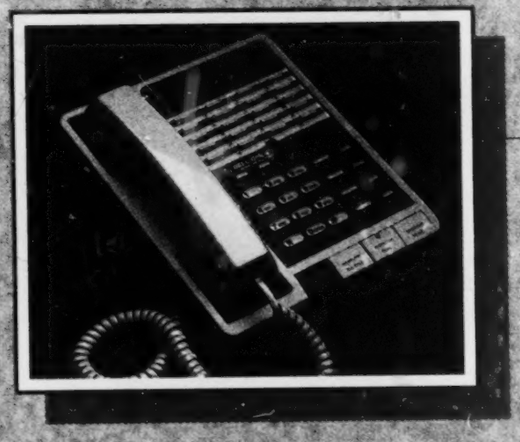
Celebrate with us and get in on the benefits . . .

INNOVATIVE PRODUCT INTRODUCTIONS

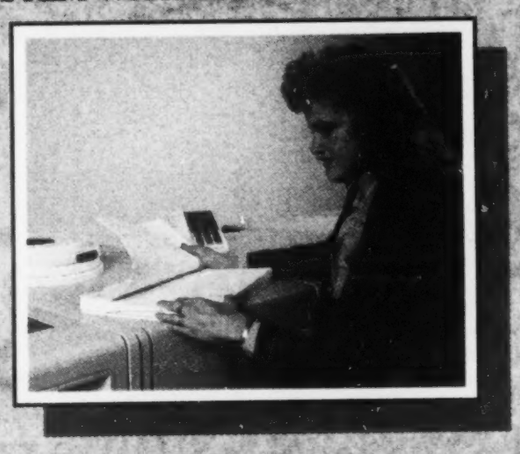


NEW WAREHOUSE AND QC FACILITY

FULL LINE OF PRODUCTS FOR THE HOME OR OFFICE



STATE-OF-THE-ART COMPUTER SYSTEM WITH EDI COMMUNICATIONS



FIRST RATE REPAIR FACILITIES AND CUSTOMER SERVICE PROFESSIONALS

These benefits combined with a new two-story booth at the Consumer Electronics Show plus the introduction of 10 new products, in addition to the 23 new products introduced last year, continues to demonstrate that Northwestern Bell Phones is leading the way in customer commitment with top quality products and service. Join Northwestern Bell Phones in the 90's, the company with a vision!

BELL® Phones BY NORTHWESTERN BELL PHONES A U S WEST COMPANY

BELL® Office BY NORTHWESTERN BELL PHONES A U S WEST COMPANY

The Full Line BELL® Company

For more information on **Northwestern Bell Phones' "Full Line" of Telecommunication Products,** mail this coupon to:
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9394 W. Dodge Road, Suite 100
Omaha, NE 68114

Name:_____
Address:_____
Phone #:_____
Fax #:_____

ANNUAL REPORT/FINANCIAL REPORT ON PUBLIC COMPANIES

Bears Batter Discount Store Stocks In 1990

By Neil Nordby
Special to DSN

Investors unloaded discount store issues lock, stock and stock option in 1990, closing out in bearish fashion what was until last year a bullish decade for these stocks.

And it's no secret why discount store stocks hit the skids last year. Few stocks can emerge unscathed from a recession, a war, a pull-back in spending by Americans, brutal competition that forced dramatic price slashing among discounters, tight credit markets, and negative investor psychology.

The result was inevitable: "sell" orders replaced "buy" orders and discount stocks fell dramatically last year.

Consider some of the following numbers from a year to forget for many shareholders:

- Each discount store stock fell over 28% on the average, or nearly seven-fold in comparison to the Dow Jones industrial average which toppled 4.3% for the year.
- Of the 61 total discount stocks that are publicly held, only nine stocks closed in positive territory last year, while the other 52 fell in value.
- An eye-popping 38 discounters fell by 20% or more in 1990, with Ames experiencing the greatest decline. The bottom line for Ames last year: down 95% to 56 cents (more on Ames later).
- But while the industry in aggregate took its lumps last year, nonetheless a number of the smaller concerns garnered some prestigious honors.

Take Price Co., for example. Its distinction in 1990: Price boasted the highest sales per employee in 1990 (see Most Productive Employee chart on page 82). Specifically, Price generated an eye-popping $406,000 per employee in 1990.

Next in line behind Price stood Costco, whose aggressive expansion campaign paid off in strong sales last year. And like Price Co., Costco also posted strong sales by its employees, posting $344,000 per worker. And Wall Street rewarded shareholders of Costco handsomely as a result of its proficiency, as the share price of this membership wholesaler soared 37% in 1990 to $48.25.

Retailers Rewarded

Wall Street, being the earnings and sales-driven machine that it is, also rewarded those discounters with strong income statements and balance sheets last year. And the one stock that was perhaps most popular with Wall Street, to nobody's surprise, was Wal-Mart.

Among the reasons behind this institutional favorite on Wall Street: the company had

(Continued on page 82)

Many Happy Returns

Company	Return On Assets (%)[1]	Company	Return On Assets (%)[1]
Wal-Mart	11.34	Dayton Hudson	4.83
Melville Corp.	10.52	Pep Boys	4.58
Price	10.36	Fred Meyer	3.71
Toys "R" Us	9.10	Service Merchandise	3.64
Family Dollar Stores	8.09	Waban	3.18
Venture	7.65	Consolidated Stores	1.58
TJX Cos.	7.08	Sears	0.94
Dollar General	7.04	Circuit City	0.36
Home Shopping Network	6.97	Pamida	(0.09)
Costco Wholesale	6.00	QVC Network	(2.29)
Super Valu Stores	5.93	Highland Superstores	(3.26)
Burlington Coat Factory	5.74	Best Buy	(5.10)
Kmart	5.44	Jamesway	(5.10)
Ross Stores	5.38	Rose's Stores	(6.09)
Pic 'N' Save	5.01	Hills	(35.30)
		Ames Department Stores	(49.52)

[1]*Return on assets equals net income divided by assets*
( )-Loss
Source: Nordby International

Most Valuable Discounters

Company	Assets[1]
Sears	$96,252,800
Kmart	13,899,000
Wal-Mart	11,388,915
Dayton Hudson	8,524,000
Melville Corp.	3,662,157
Toys "R" Us	3,582,443
Super Valu Stores	2,615,145
Service Merchandise	1,653,202
Ames Department Stores	1,602,375
Price	1,210,062
TJX Cos.	1,047,301
Fred Meyer	905,756
Circuit City	874,063
Costco Wholesale	819,869
Pep Boys	819,421
Hills	775,227
QVC Network	740,183
Waban	579,784
Home Shopping Network	556,236
Rose's Stores	455,942
Venture	450,940
Burlington Coat Factory	418,508
Highland Superstores	361,233
Family Dollar Stores	355,097
Jamesway	345,637
Pic 'N' Save	344,380
Pamida	309,974
Ross Stores	309,543
Consolidated Stores	288,119
Dollar General	207,737
Best Buy	185,528

[1]*Assets: Companies are ranked in descending order on the basis of total amount of assets in dollars.*
Source: Nordby International

Return on Sales Leaders

Company	Return On Sales (%)[1]
Toys "R" Us	5.92
Melville Corp.	4.44
Pep Boys	4.24
Wal-Mart	3.93
Home Shopping Network	3.84
Family Dollar Stores	3.26
Pic 'N' Save	3.26
TJX Cos.	3.03
Burlington Coat Factory	2.99
Dayton Hudson	2.80
Venture	2.43
Kmart	2.33
Price Club	2.32
Dollar General	2.24
Ross Stores	2.08
Service Merchandise	1.75
Sears	1.61
Fred Meyer	1.36
Super Valu Stores	1.34
Costco Wholesale	1.19
Waban	0.76
Consolidated Stores	0.67
Circuit City	0.13
Pamida	(0.04)
Highland Superstores	(1.37)
Best Buy	(1.42)
Rose's Stores	(1.84)
Jamesway	(1.93)
QVC Network	(2.19)
Hills	(12.78)
Ames Department Stores	(25.52)

[1]*Return on sales equals net income divided by sales. This shows in descending order which companies had the highest amount of sales trickle down to the bottom line on a percentage basis.*
( )-Loss Source: Nordby International

WITH PRO SET'S NEW MUSICARDS™ YOU GET

POP
RAP
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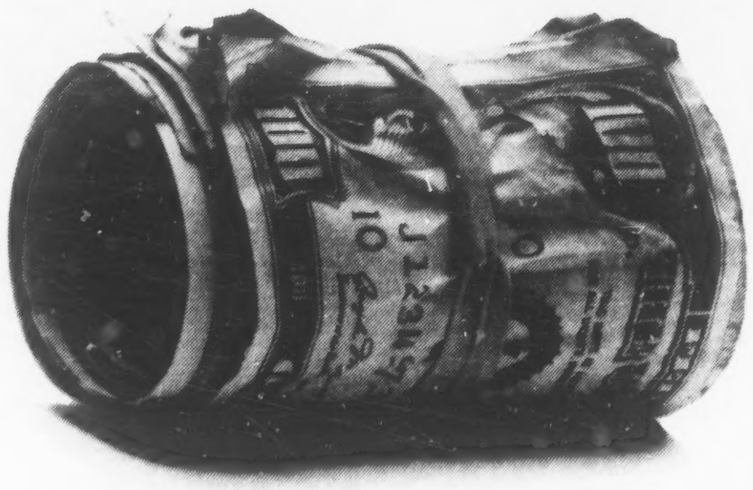


ProSet SUPER STARS MusiCards
Yo! MTV RAPS
PRO SET

Discount Store Stocks Battered by Bears in '90

(Continued from page 81)
the highest Return on Assets of all the discount store concerns in our annual review, 11.3%; Wal-Mart enjoyed the fourth-highest Return on Sales with 3.93%, and was in fifth place in Return on Equity with 24.06%. The result: Wal-Mart's stock rose a stout 35% in 1990 to $30.25 a share.

But unlike Wal-Mart, other perennial favorites could not overcome the economy, war and "sell orders" enough to garner a strong following on Wall Street last year. Consider Toys "R" Us and Melville Corp., which finished first and second, respectively, in Return on Sales, and finished fourth and second, respectively, in Return on Assets.

Occupying the top slots in these two categories normally is a recipe for success for investors, and in years past the combination of the two has indeed spelled success for shareholders in these stocks. But 1990 was a departure from the norm, as these two stocks witnessed considerable selling pressure on Wall Street. For the yearly trading session, both stocks fell just under 6%.

And then there was Ames, which was the worst-performing stock among its discount store brethren in 1990. And one look at its balance sheet shows why investors aggressively sold shares of the company last year.

Poor Showing for Ames

Consider some of the numbers for Ames: the company occupied the bottom rung in Return on Sales (-25.5%), Return on Assets (-49.5%), Sales Per Employee ($59,553), and Return on Equity (-181.57). Ames closed 1990 at 56 cents a share after starting the year with a stock price of $10.38.

Neil Nordby is president of Boulder, Colo.-based Nordby International, a financial monitoring company.

Most Productive Employees

Company	Sales Per Employee[1]
Price	$405,843
Costco Wholesale	344,384
Super Valu Stores	265,105
Waban	185,364
Home Shopping Network	185,004
Sears	178,254
Highland Superstores	162,412
Circuit City	157,983
QVC Network	155,206
Best Buy	154,610
Service Merchandise	150,891
Toys "R" Us	137,750
Family Dollar Stores	125,912
Fred Meyer	113,857
Ross Stores	111,513
Hills	108,125
Dayton Hudson	100,265
Venture	98,658
Pamida	95,126
Wal-Mart	93,895
Pic 'N' Save	92,827
Kmart	88,937
Jamesway	88,675
TJX Cos.	87,367
Dollar General	81,644
Pep Boys	81,484
Burlington Coat Factory	78,749
Consolidated Stores	72,785
Melville Corp.	72,638
Ross's Stores	71,802
Ames Department Stores	59,553

[1]Sales per employee equals sales divided by number of employees, both as of year-end 1990.

Source: Nordby International

A MONSTER-OUS PROMOTION WITH UNIVERSAL APPEAL!

MCA/Universal Home Video announces the Universal Monsters Classic Collection. *Classic titles with a haunting new look at a price to die for: just $14.95 suggested retail each. Backed by a promotion of* monster-ous *proportions!*

$14.95 SUGGESTED RETAIL EACH

MONSTER-OUS CONSUMER IMPRESSIONS:

Celebrating 60 years of unparalleled achievement in the horror genre, MCA/Universal Studios is unearthing multiple promotions and events to increase awareness for the Official Universal Studios Monsters, including the theatrical re-release of *Frankenstein* and *Dracula*, plus national promotions.

CLASSIC MONSTERS WITH A NEW LOOK:

This August MCA is offering *The Classic Collection*: nine of the *original* Universal Studios Monster titles at just $14.95* suggested retail each. These are the films horror fans are dying for: *Frankenstein, Dracula, The Wolf Man, The Mummy, The Bride of Frankenstein, The Invisible Man, Creature From The Black Lagoon, The Phantom of The Opera, Son of Dracula*, plus the special feature *Coming Soon*. All with enticing new packaging to hypnotize your customers.

SPECIAL FRANKENSTEIN/ DRACULA 60TH ANNIVERSARY DUAL-PACK:

For a limited time only*, MCA/Universal Home Video is offering a special collector's dual-pack commemorating the 60th anniversary of *Frankenstein* and *Dracula*.

$29.95 SUGGESTED RETAIL EACH

SPOOKTACULAR PROMOTION:

$3 REBATE AND OVER $5 MILLION IN SUPPORT: This exciting release is highlighted by a $3 consumer rebate offer** from Miller Beer toward the purchase of the *Frankenstein/Dracula* dual-pack. The dual-pack rebate offer will be featured in Miller Beer's extensive "Scream For Miller" Halloween ad campaign, translating into more than $5 *million* worth of advertising!

MCA Street date: August 22nd

Call Your Sales Representative For More Details.

*Dual-pack available through 12-15-91. **Rebate certificates available at Miller Beer displays (in most states). Number for consumers to call to receive certificates (1-800-722-0400) will be featured on MCA/Universal Home Video point-of-purchase posters. Rebate offer requires proof-of-purchase from dual-pack. Rebate offer good through 12-2-91. Void where prohibited. Advertising and promotional details subject to change without notice.

ANNUAL REPORT/FINANCIAL REPORT ON PUBLIC COMPANIES

Return on Equity Leaders

Company	Return On Equity (%)[1]	Company	Return On Equity (%)[1]
Service Merchandise	237.14	Burlington Coat Factory	10.98
Venture	37.89	Pep Boys	10.89
TJX Cos.	27.40	Pic 'N' Save	9.06
Wal-Mart	24.06	Sears	7.04
Home Shopping Network	21.84	Waban	6.48
Melville Corp.	20.80	Consolidated Stores	3.03
Price	20.34	Circuit City	0.86
Dayton Hudson	20.12	Pamida	(3.00)
Toys "R" Us	15.93	QVC Network	(8.14)
Super Valu Stores	15.85	Highland Superstores	(10.58)
Family Dollar Stores	14.58	Jamesway	(15.51)
Kmart	14.04	Best Buy	(16.67)
Ross Stores	13.53	Rose's Stores	(16.73)
Costco Wholesale	12.54	Ames Department Stores	N.C.
Fred Meyer	11.77	Hills	N.C.
Dollar General	11.10		

[1]Return on Equity equals net income divided by shareholder's equity.
( )-Loss N.C.-Not Calculable Source: Nordby International

Balance Sheets of Discounters Impacted By Debt and Recession

Debt and recession. That combination drove more than a few discount retailers to seeking court protection from creditors last year. The accompanying charts provide a clue to the relative strengths and weaknesses of a retailer's balance sheet.

The chart at left ranks discount retailers on the basis of their return on equity. Return on equity is calculated by dividing the company's net income by total shareholders' equity. Companies that score high on the list generally have relatively high net income and relative low equity (combined value of paid in capital and retained earnings).

For example, the top ranked chain, Service Merchandise, had a positive net income last year but the second lowest equity among the companies with a positive equity in 1990. Service went from a negative equity of $42 million in 1989 to a low positive equity in 1990.

Return on equity was incalculable for both Ames and Hills as each posted negative income and equity in 1990.

The two other charts (below left) rank the public discounters on the basis of the amount of long-term debt (The Biggest Borrowers) and their debt-to-equity ratio (debt compared to underlying shareholders' equity).

Sears, by a wide margin, carries the most long-term debt on its balance sheet. However, its debt-to-equity ratio of 0.99 is fairly strong considering the tough year the company experienced.

Target's parent, Dayton Hudson, was a distant second to Sears in its long-term borrowings. No doubt the acquisition of Marshall Fields contributed to the 1.8 ratio of debt-to-equity registered by the company in 1990.

Kmart carried over $1.7 billion in long term debt on its balance sheet, yet its low debt-to-equity ratio of 0.32 illustrates its relatively high equity. Wal-Mart carries $740 million in long-term debt on its balance sheet, and has a 0.14 debt-to-equity ratio.

Unlike the earlier section of this report, where figures are broken out according to individual retail divisions, the figures in this financial report are consolidated for all retail divisions of the public companies. For example, TJX Cos. includes T.J. Maxx, Hit or Miss, Winners Ltd. and Chadwick's.

The Biggest Borrowers

Company	Long-Term Debt (000s)[1]
Sears	$12,636,400
Dayton Hudson	3,682,000
Kmart	1,701,000
Wal-Mart	740,254
Service Merchandise	726,881
Super Valu Stores	382,439
QVC Network	366,688
Melville Corp.	358,803
TJX Cos.	308,593
Fred Meyer	232,881
Home Shopping Network	225,109
Pep Boys	210,868
Price	193,499
Toys "R" Us	182,695
Pamida	160,351
Highland Superstores	121,513
Rose's Stores	99,500
Burlington Coat Factory	95,838
Circuit City	94,350
Venture	93,361
Costco Wholesale	73,744
Pic 'N' Save	67,482
Jamesway	61,356
Ross Stores	57,600
Consolidated Stores	50,125
Best Buy	35,381
Dollar General	19,073
Waban	10,161
Hills	7,155
Family Dollar Stores	0
Ames Department Stores	0

[1]Long-term debt equals the amount of long-term debt that resides in a company's balance sheet.

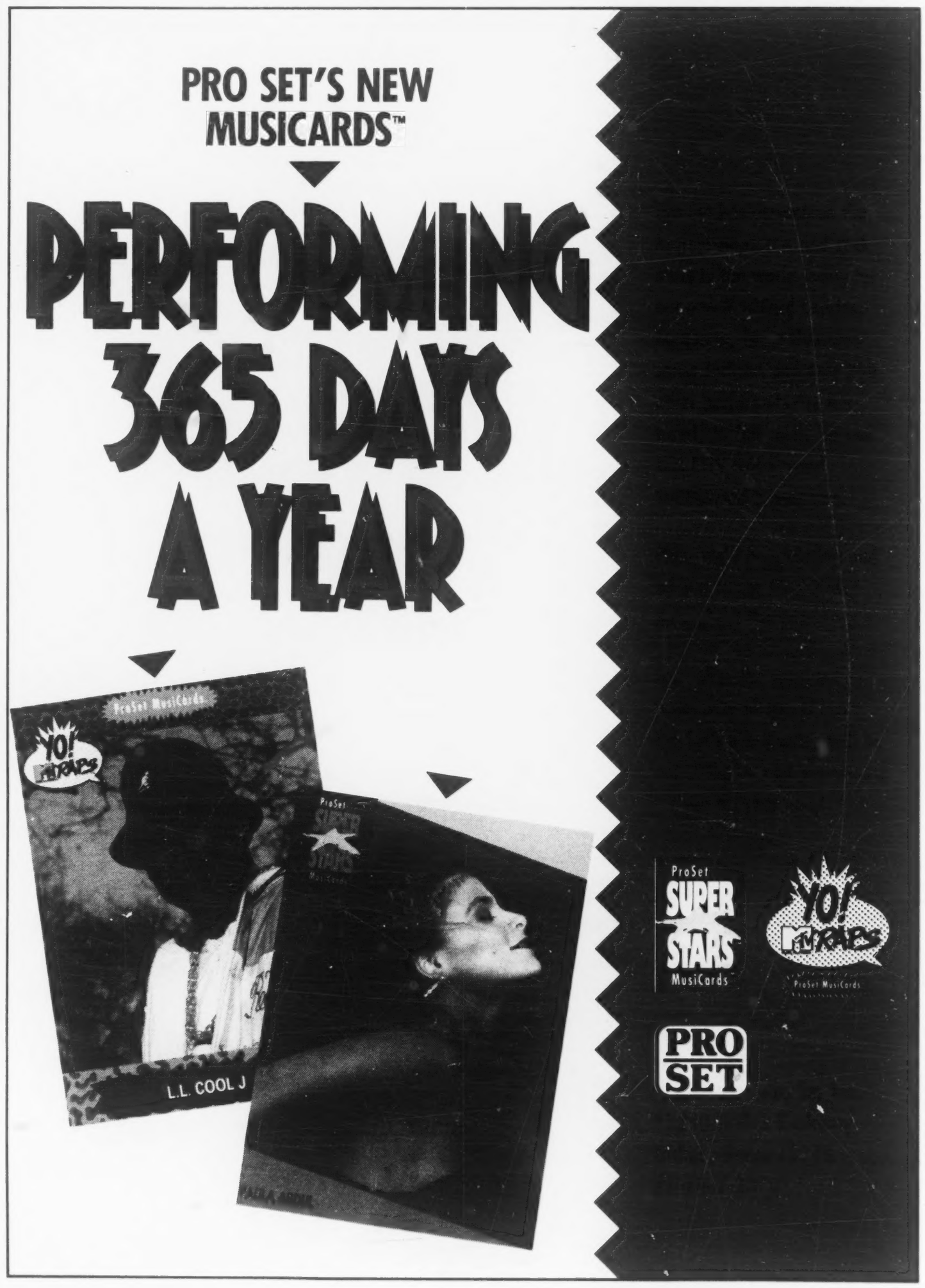
Source: Nordby International

Debt to Equity Rankings

Company	Long Term Debt To Equity (%)[1]
Service Merchandise	28.65
Pamida	17.53
Dayton Hudson	1.80
QVC Network	1.76
Home Shopping Network	1.27
TJX Cos.	1.14
Highland Superstores	1.09
Venture	1.03
Sears	0.99
Fred Meyer	0.82
Best Buy	0.62
Pep Boys	0.61
Rose's Stores	0.60
Jamesway	0.54
Ross Stores	0.47
Burlington Coat Factory	0.44
Super Valu Stores	0.39
Pic 'N' Save	0.35
Consolidated Stores	0.33
Kmart	0.32
Price	0.31
Circuit City	0.26
Melville Corp.	0.19
Costco Wholesale	0.19
Dollar General	0.14
Wal-Mart	0.14
Toys "R" Us	0.09
Waban	0.04
Family Dollar Stores	0.00
Ames Department Stores	0.00
Hills	(0.03)

[1]Long-term Debt-to-Equity ranks in descending order the companies with the highest amount of debt compared to underlying shareholders' equity. The higher the percentage in this instance, the weaker a company's balance sheet.

Source: Nordby International



Denim upholds its position

It remains one of the quintessential items in any men's apparel assortment. It is currently the cornerstone of the young men's apparel business, and it is proving its endurance as it stands up to an onslaught of competition in the form of casual slacks, fleece and shorts. In this precarious apparel business environment, denim jeans are proving their mettle. Retailers continue to report increases in the category and many merchants believe the classification will be even stronger in 1992.

An exclusive consumer study conducted for *Apparel Merchandising* by The Gallup Organization confirms the plans of retailers who have faith in denim's continuing strength. About two-thirds of the men queried in the survey, which was conducted on a national basis, say they'll purchase jeans during the next 12 months. A large proportion of this group plans multiple purchases.

On average, survey respondents indicate that they will buy more than three pair of jeans in the coming year. If those who don't intend to buy any jeans are factored out of the equation, the average jumps to five pair.

It will undoubtedly come as some relief to denim marketers that baby boomers haven't chucked their jeans inclinations to build a casual wardrobe consisting entirely of Dockers and sweatpants. In fact, only 10 percent of the 25- to 40-year-olds won't be purchasing jeans in the next year. Younger men are even more likely to buy jeans; more than 94 percent of the 18- to 24-year-olds plan on making denim purchases during the next 12 months. Ten percent of this group say they'll purchase 10 pair during the period. Just four percent of the 25- to 40-year-olds say they'll buy that many pairs of jeans this year, but a quarter of that group does intend to purchase a substantial four or five pair in the coming 12 months. As might be expected, older customers are less likely to buy jeans. About 54 percent of those between 50 and 65 say they'll buy denim during the next year.

Denim has not only proved its endurance against the competition, but retailers say the classification will be even stronger in 1992.

Despite the tapering of jeans popularity among older men, the potential of denim business in the near future is enormous. Profits from the category will, according to the study, be spread throughout a variety of retail tiers.

With nearly a quarter, 23%, of the men who plan to buy jeans during the next year intending to head to a discount store for their denim purchases, this "Born In The USA" apparel item should remain a top priority of mass merchants. This figure suggests that carrying a broad assortment of brands that are prominently displayed, a tack adopted by many discount stores, is well worth continuing for the immediate, if not the long-term, future.

Unfortunate for the mass merchant is the fact that younger men, 18 to 24, who are most prone to buying several pairs of jeans annually, are least likely to purchase denim at discount stores. Only 6 percent in this group say they'll be buying denim in discount stores during the next year. Baby boomers, 25- to 40-year-olds, however, are much more likely to shop for jeans at discount stores. About 24 percent of this group say they'll buy at discount stores during the next year.

Along with department stores and discounters, specialty stores represent a significant presence in the jeans market. About 17 percent of those who participated in the study say they'll purchase denim at men's or young men's stores. It comes as no surprise that these outlets are particularly popular with the 18- to 24-year-olds. Some 22 percent of this group plan to make their jeans purchases at specialty stores. About 18 percent of the baby boomers choose this tier.

Sears remains a contender in the denim market with nearly 16 percent of those in the study naming the Chicago giant as an outlet they'll choose for jeans this year. Only eight percent say they'll buy at off-pricers, while four percent contend they'll order through a catalog, the same percentage that Montgomery Ward garnered.

One advantage discount stores have in the struggle for the denim customer is price. More than half of the survey participants, 53 percent, say they expect to pay less than $25 for jeans. But this doesn't mean that the lowest price should be the driving force of the business. Only eight percent anticipate spending less than $15 for denim, while 23 percent say they'll pay $20 to $25.

The higher end of the denim price spectrum represents a significant opportunity for department and specialty stores. Forty-seven percent of those queried say they'll spend $25 or more for jeans during the next year. But the $35 figure represents something of a cutoff mark. Only 10 percent of those queried say they'll spend more than that for jeans this year.

While price certainly enters into customers' buying decisions, it is far from the only factor influencing buying patterns. The marketing power of brand names also strongly affects which pair of denims a man is likely to buy. It will come as no surprise to discounters, who have been clamoring for product from Levi Strauss & Co. for years, that the San Francisco-based denim giant's merchandise ranks No. 1 with consumers—by far.

Fifty-four percent of the men who plan on buying jeans during the next year say their next denim purchase will bear the Levi's label. Good news for discounters is the fact that the two wide- ►

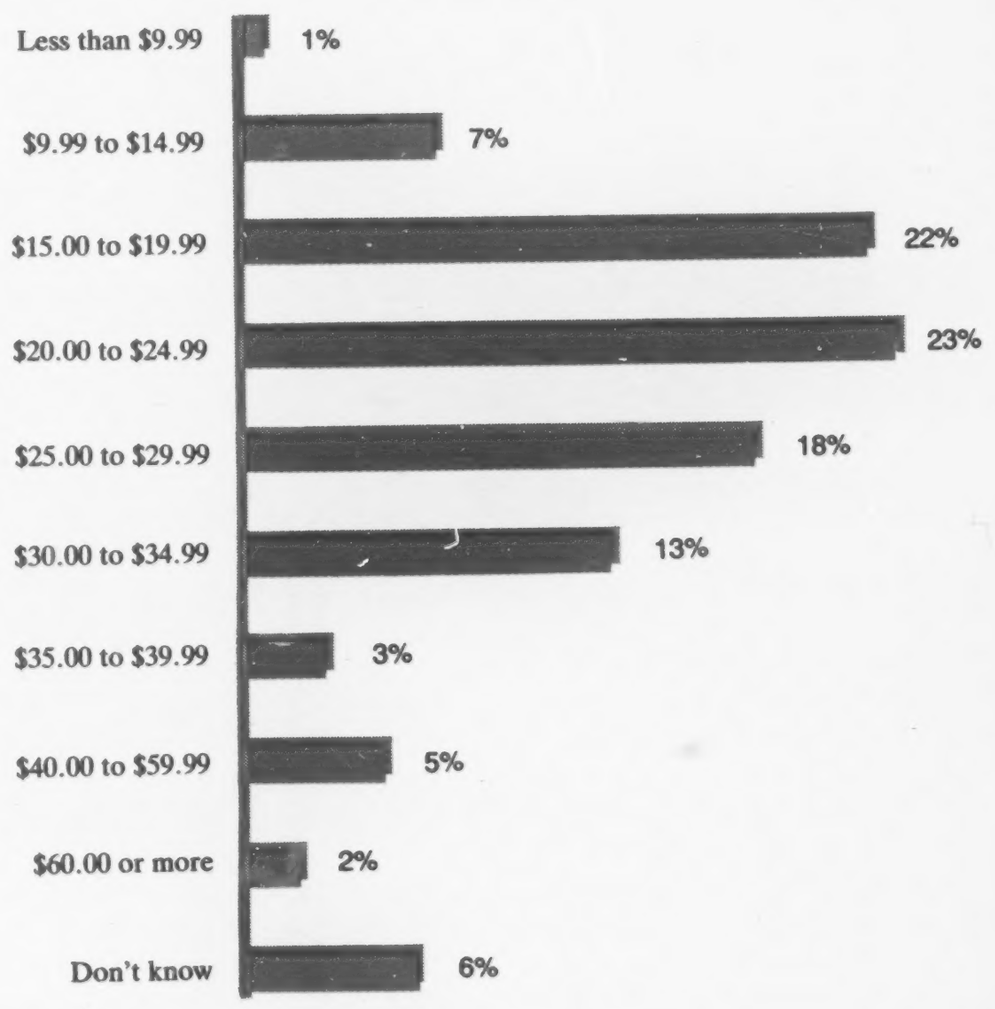
Nearly a quarter intend to purchase jeans at discount stores

In the next year, where do you expect to buy jeans?	Total	Age 18-24	25-34	35-49	50-64	65+	Income Under $20K	$20K-$39.9K	$40K+
Department store*	39%	35%	39%	47%	30%	26%	35%	34%	46%
Discount store	23	6	23	28	39	26	18	29	21
Specialty store	17	22	19	17	13	10	20	16	21
Sears	16	20	17	8	22	20	23	15	11
Off-price store	8	13	4	9	3	14	8	9	5
Catalog/mail order	4	10	3	4	2	—	3	6	3
Montgomery Ward	4	2	3	6	6	—	4	4	2
Other	3	1	4	1	—	9	6	2	3
Don't know	5	2	5	5	3	6	5	4	5

*Includes JC Penney
Source: The Gallup Organization for *AM*. Percentages add up to more than 100% due to multiple answers.

More than two-fifths, 41%, say they'll pay between $20.00 and $29.99 for jeans.

(In the next year, what price do you think you will pay for a pair of jeans?)



Source: The Gallup Organization for *AM*.

ly distributed VF labels, Lee and Wrangler, tie for second place. Approximately 14 percent of the men queried name each of those brands as their next jeans purchase.

The study indicates demographic differences in brand preferences. Consumers on Levi's home turf in the West have an overwhelming affinity for the brand. About 73 percent in that region name Levi's as their next purchase. Levi's weakest franchise is apparently in the Midwest, although 46 percent in that area still name Levi's as their next jeans buy.

Levi's loss is apparently Lee's gain. Twenty percent of the midwesterners queried say Lee jeans will be their next denim purchase. But in the West, Lee only garners a meager four percent. Wrangler's potentially strongest market, the study indicates, is the South. Approximately 20 percent in that area say Wrangler will be their next denim buy.

In terms of age, its appears that Levi's is again the winner. The brand has the vote of both the baby boomers and youth markets. Fifty-seven percent of the 25- to 40-year-olds chose Levi's as the next jeans they'll buy. Sixteen percent named Lee, while 14 percent say Wrangler represents their next denim purchase. In what may be a testament to Levi's youth-oriented advertising and marketing campaigns, the brand dominated among 18- to 24-year-olds. Nearly 80 percent in this segment say that the next pair of jeans they buy will be Levi's. Lee has big problems in this area. About four percent of the youthful set name Lee, while seven percent pick Wrangler.

After the big three jeans labels, consumer preferences drop precipitously. Two percent say their next jeans purchase will be a pair of Bugle Boy, Guess, Russler or private-label denims.

Aside from the right labels, retailers will have to carry jeans that sport the consumer finish of the moment if they expect to keep the denim business on a roll. Basics are still popular. The overwhelming favorite remains pre-washed styles, which 40 percent of the survey participants say they'll buy the next time they pick up a new pair of jeans. A surprisingly high percentage, 30 percent, say they'll purchase rigid denim.

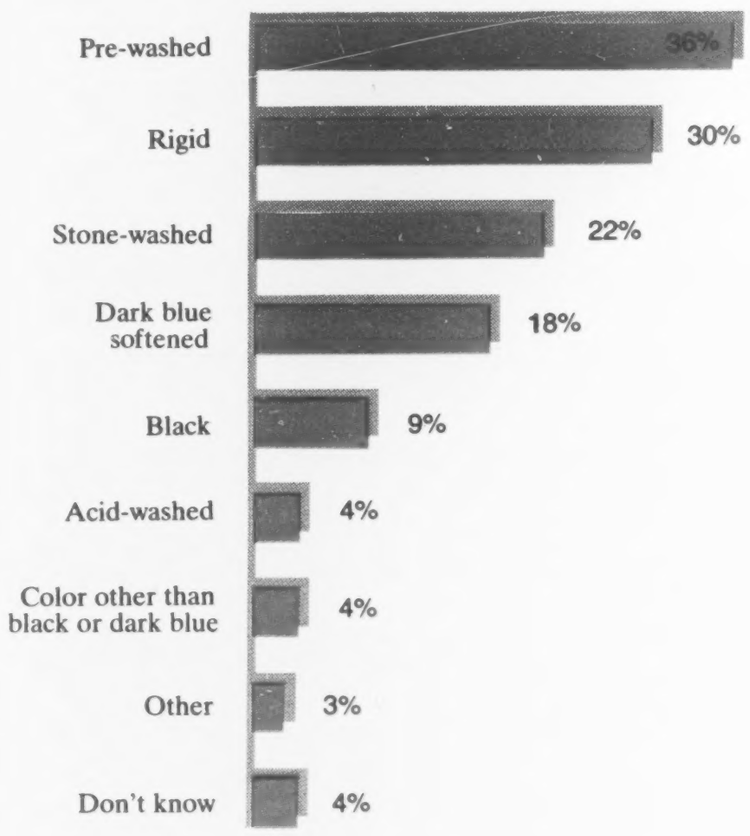
In fashion finishes, stone-washed jeans are gaining in popularity. In a study conducted a year before the current survey, 17 percent of the men queried said their next denim purchased would be stone-washed jeans. This year 22 percent gave a stone-washed response. Acid finishes, as retail results confirm, are on the wane. About seven percent participating in the 1990 study said they were planning purchases in that highly distressed fabric. This year the acid finish fans dropped to four percent.

In terms of silhouette, five pocket models remain the style of choice with 47 percent of the respondents saying they are very or somewhat likely to purchase this stalwart model.

Few would argue the fact that men have become much more fashion conscious in recent years. Yet there appears to be little likelihood that they will be sloughing their traditional jeans anytime soon. With the consumer love affair with denim in full bloom, marketers are well positioned to push the jeans business to the maximum. ◢

Men prefer pre-washed denim

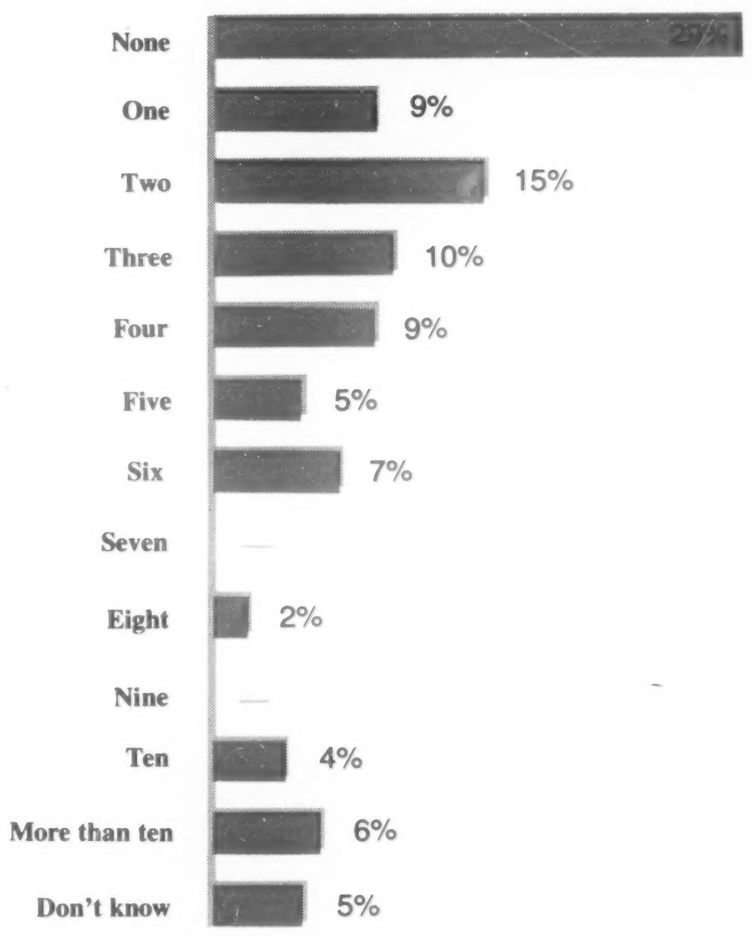
(When you buy jeans in the next year, which type of denim fabric will you choose?)



Source: The Gallup Organization for *AM*.

On average men plan to purchase three pairs of jeans

(How many pair of jeans will you buy in the next 12 months)



Source: The Gallup Organization for *AM*. Percentages add up to more than 100% due to multiple answers.

Casual pants and shorts represent incremental business

(Will your purchase of casual pants or shorts be in addition to or instead of a pair of jeans?)

	Those who intend to buy pants	Those who intend to buy shorts
In addition to jeans	73%	80%
Instead of jeans	24	17
Don't know	3	3

Source: The Gallup Organization for *AM*

Casual pants and shorts are likely purchases

How likely are you to buy a pair of casual pants in the next year?	Total	Income Under $20K	$20K-$39.9K	$40K+	How likely are you to buy a pair of shorts in the next year?	Total	Income Under $20K	$20K-$39.9K	$40K+
Very likely	45%	38%	44%	61%	Very likely	48%	38%	44%	61%
Somewhat likely	26	26	26	18	Somewhat likely	14	26	26	18
Not too likely	9	10	11	9	Not too likely	8	10	11	9
Not at all likely	19	24	19	12	Not at all likely	30	24	19	12
Don't know	1	2	—	—	Don't know	1	2	—	—

Source: The Gallup Organization for *AM*.

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Kmart Super Center: A Model for Major Rollout

Store Focuses On Fresh Food, Fresh Ideas

By Tony Lisanti

MEDINA, Ohio — Kmart's new Super Center, which opened last week in this bustling suburban community about 30 miles south of Cleveland, will likely be the "established model" for national rollout of this supermarket/discount store concept that may become a significant 1990s growth vehicle for the nation's second largest discounter.

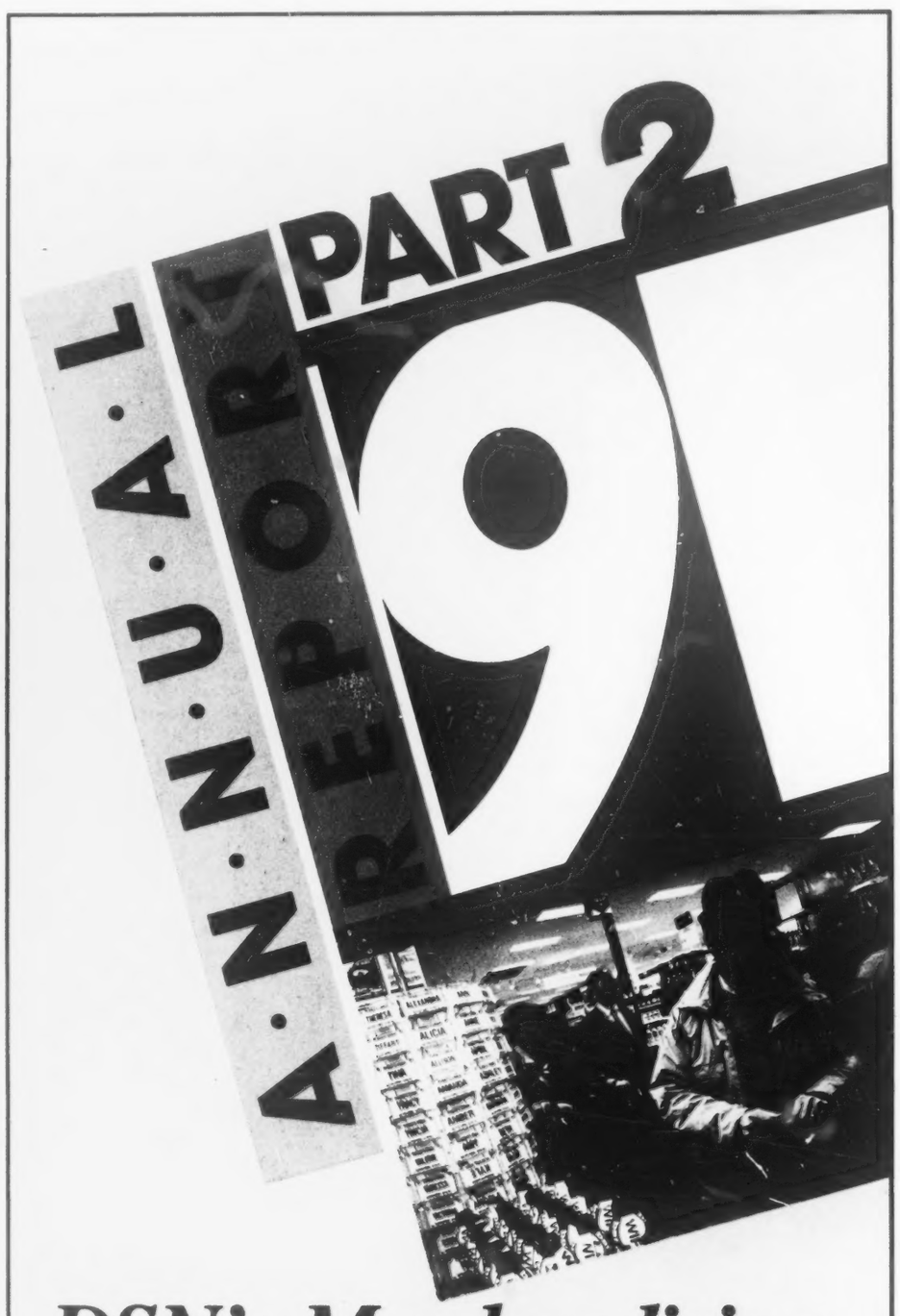
Kmart chairman Joseph Antonini refused to disclose specific plans for the future, but admitted that sites for additional super centers are being investigated.

Rival Wal-Mart opened a new super center in June in Batesville, Ark., which reportedly is also a prototype that executives are confident can be rolled out successfully. That sets the stage for a fierce competitive battle of the super centers over the next several years.

Super Kmart Center, Medina, Ohio, *combines aspects of Kmart's modern Sayville, N.Y., store and an upscale supermarket.* (DSN photo)

Kmart and Wal-Mart, which have experimented extensively over the past few years with the combination store concept, have obviously benefited in their newest food ventures from their affili-

(Continued on page 92)



DSN's Merchandising, Productivity Analysis Of Discount Retailing

DSN projects that discount industry sales will hit $168.9 billion this year, a 7.3% increase over 1990 sales of $157.4 billion. Eighty-five percent of that business will be conducted by full-line discount department stores, catalog showrooms, specialty discounters and off-price apparel chains. This special report examines sales, productivity and major trends in the top 14 discount department store merchandise categories. It also looks at the productivity of the top discounters, and provides a national state-by-state store count census of discount department stores, specialty mass retailers, membership warehouse clubs and catalog showrooms.

Top Retail Execs Escaping Intense Scrutiny Over Their Pay—So Far

By Arthur Markowitz
Nationwide DSN Report

Retail industry executives so far seem immune to the growing shareholder and institutional investor anger over the high salaries and compensation paid to business executives of public firms.

This exemption reflects two key factors:

- The low corporate profile of most retailers that has resulted in little interest in the pay of their top officers;
- Limited institutional or general shareholder investment in retailers apart from Wal-Mart, Kmart and Sears.

But the lack of interest in retailers' pay may also denote the fact that the industry overall isn't viewed as a high direct compensation business.

David Gitlitz, United Shareholders Association's director of communications and research, said that "it could be that the retail industry has less examples of executives with outrageous compensation than other industries." He said that "outrageous" described a situation "where compensation goes up in much larger amounts than profits or return to shareholders."

Howard Sherman, vp of Institution Shareholder Services, said that "it may be that the average level of ceo pay among retailers isn't as stratospheric as at high profile firms in other industries." But the real issue, he said, is "how they are paid—are they paid based on their performance."

A Council of Institutional Investors spokesman said that "stockholders and ceos both share in good times, but we want ceos to share along with shareholders in rough times."

Sherman also noted that "there are structural reasons why" ceos often are rewarded even for poor performances. "Compensation committees are composed of outside directors, but they are often recruited by the ceo and owe allegiance to the ceo, not to the stockholders."

The indignation over the explosive increase in top executive compensation during the

(Continued on page 87)

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'New Best' Emerging in the Rough

Best Product's Diamond Prototype Key to Reorganization

By Arthur Markowitz

RICHMOND, Va. — Best Products will test a new showroom format next month in five remodeled Philadelphia area stores that is expected to become the prototype for the "new Best" units that will help the cataloger emerge from Chapter 11.

Key to the new layout, called the Diamond prototype, is relocating the jewelry section in the center of the showroom within a diamond-shaped racetrack to provide greater visibility to this department. The jewelry area is usually spotted on the right side of the showroom.

The order desk, meanwhile, will be moved from the rear to the front of the showroom to provide better customer service and let shoppers know immediately where they can order goods, a spokesman said.

Best will also install customer-operated interactive order terminals in the five showrooms. The units, Best's first use of this technology that is already in place in rival Service Merchandise showrooms, will allow shoppers to check on the availability of

(Continued on page 91)

MARKETWATCH

Hills Unveils First Store For Conversion

ELYRIA, Ohio — Hills Department Stores, at press time, has unveiled one of six new stores slated for conversion to one of two new prototype formats being tested by the Canton, Mass.-based discounter attempting to restructure under Chapter 11. Gone are the old-fashioned pipe racks, once the key feature of Hills' stores, in favor of a more contemporary fashion presentation, both in hard lines and soft lines. New fixtures, new signs, and new displays are featured throughout the store. A "power wall" display—similar to the type seen in Wal-Mart stores—is utilized behind the checkout area. The Elyria prototype has a typical left/right configuration with hard lines on one side, jewelry, accessories and shoes in the center and soft lines on the other side. The other prototype format positions soft lines in the center of the store with hard lines along the perimeter. Hills continues to focus on "low discount prices everyday" promoting an image as the "store for great family values."

Caldor Eyes Former Bloomies' Site

NORWALK, Conn. — Caldor opened two new stores Aug. 1st on Long Island: one in Oceanside, N.Y., in south central Nassau County, and another in Melville, N.Y., in central Suffolk County. According to published reports, the chain is also eyeing a site in the New York borough of Queens that was recently abandoned by Bloomingdales. Chairman Marc Balmuth said that Caldor would consider the site only if significant renovations were performed by the landlord, an issue that led to Bloomie's closing the Queens store this spring. Caldor's Middle Village store in Queens, which opened last year, has reportedly been a strong performer.

Waccamaw Opens 2nd Chicago Store

SKOKIE, Ill. — Waccamaw Corp. opened its second Chicago-area home decor and housewares superstore last month, bringing the total store count of the Myrtle Beach, S.C.-based chain to 26. The Skokie store featured the company's new logo and store design, unlike its first Chicago unit opened in Rolling Meadows six years ago. The first store with the new layout and design was opened in Homewood, Ala., outside Birmingham last May (see *DSN*, June 3, 1991, page 1). Gurnee and Naperville, Ill., will be home to Waccamaw stores later this year.

Baby Bells Get OK for Teleshopping

WASHINGTON — The nation's seven regional telephone companies have received a green light to develop and offer shopping and information services. But Judge Harold H. Greene also bars the telco from acting until appeals on his ruling, expected from current electronic retailers and even newspapers, are completed. (See Taking Stock column, page 10, for related insight on electronic retailing.) Judge Greene had originally barred the telcos from originating information services but an appeals court ordered him to review his decision. He indicated in his new ruling that barring the telcos was still a better idea.

Woodbridge, N.J., Bradlees Adds Food Bar

BRAINTREE, Mass. — Bradlees held grand re-openings in eight of its New Jersey stores: Woodbridge, Union, Clark, Clifton, Middletown, N. Brunswick, E. Brunswick and Colonia. The Woodbridge store introduced the chain's first branded concept food service area. According to Bradlees, the food service prototype features brand foods such as Frozen Icee, Breyers Frozen Yogurt, Hebrew National and Dunkin Donuts. In all eight units, wider aisles, better lighting and new decor were incorporated into remodeled departments for home furnishings, including a new wallpaper center, as well as in H&BA, small appliances, hardware and electronics. Accessories, jewelry and intimate apparel departments also got facelifts.

Venture Plans 10 New Midwest Stores

O'FALLON, Mo. — Venture announced it plans to open six new stores in two new markets in Indiana next spring. Four will be in Indianapolis and the other two in Evansville. All are sites of previous Hills units. They will push the number of Indiana units to 10, joining existing stores in Griffith, Merrillville, Mishawaka and South Bend. This fall, Venture will open four new units: two in Des Moines, Iowa, and one each in Waterloo, Iowa and Tulsa, Okla. Including the six new Indiana units, Venture will be operating 90 stores by the spring of 1992.

Sears To Offer 'Kidvantage'

Unveils Frequent Purchase Program and Full Warranty

By Jill Lettich

CHICAGO — Sears has introduced two programs for its children's apparel department to help build loyalty among shoppers—a frequent purchase program that awards consumers 10% to 15% off children's apparel and a full warranty on children's clothing.

Sears termed the concept KidVantage and began offering the incentives in July.

Under the warranty, Sears will replace a worn-out children's apparel item as long as the child wears the same size.

The frequent purchase program credits parents for every purchase made. When $50 is accumulated, the shopper is awarded 10% off the next purchase. If $100 is accumulated, the discount is 15%.

No sales figures were available at press time to show how the frequency purchase program was working, but Gary Ramsy, national sales manager, children's apparel, said shoppers were enthusiastic in West Coast stores he visited.

The purchase program applies to all apparel in the Kids & More department and to infant furniture. The warranty applies only to items in Kids & More.

Ramsy said Sears is funding the program, which it announced to vendors at a recent seminar. He does not think it willbe a high-cost program.

"It's not a high-risk venture," he noted. "Our quality standards are very high and this is a way of putting our money where our mouth is."

Sears tested the warranty for eight months in more than 100 Sears stores on private-label merchandise only. Ramsey reported very little change in the number of returns during that time.

The moves resulted from consumer group studies which pointed to four key factors for parents, Ramsey said.

"We found that consumers wanted value pricing and more sales, so we increased the number of sales; they wanted more brands, so we added brand names to the warranty and continue to build on that," he said.

"The other two concerns parents had were that kids wore out and grew out of clothes too quickly. The KidVantage program addresses these issues," Ramsey said.

Defining what "worn-out" means was easy, Ramsey said. "The way we have directed our point-of-sale people to deal with the warranty is by letting the customer determine what's worn-out."

Neither program covers shoes, outlet merchandise or catalog sales. Ramsey said the catalog business unit was monitoring the success of KidVantage in the stores.

SearsCharge card holders will receive information about the program in their July/August statements. Ads in consumer magazines will also highlight it. And details will be printed on the back of Sears cash register receipts.

Value City Eyes Expansion; Plans 6 Stores and New DC

COLUMBUS, Ohio — Having recently completed an initial public offering of 3.75 million shares in which it raised $64 million, Value City Department Stores plans to open six stores and a distribution center in the next 12 months.

It has signed leases for stores in Pittsburgh; Springfield, Ohio; and the Grand Rapids, Mich., market.

George Kolber, vice president, administration, at Value City, said "we feel comfortable expanding anywhere within a 500 mile radius of our Columbus headquarters."

The first opening will be an 85,000-square-foot store in Wyoming, Mich., outside of Grand Rapids in September, followed by a 61,000-square-foot unit in Springfield the next month.

The Pittsburgh store will be Value City's second in the market. The 97,000-square-foot store, south of metropolitan Pittsburgh in Pleasantville, will open November 1.

A 300,000-square-foot DC will be opened in December, replacing a smaller facility. The new DC will handle hard lines. Value City operates six DCs all in the Columbus area.

Value City is a full-line off-pricer with stores in the Midwest and East. Sales were $411.2 million and net income was $19.1 million during the first nine months of its 1991 fiscal year, ended April 27.

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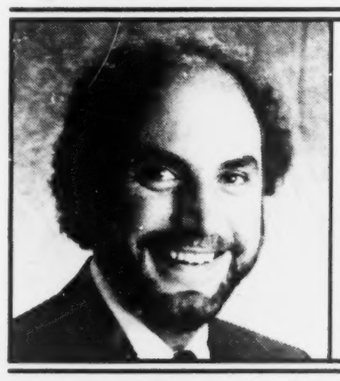
EDITORIAL

Super Kmart Center: Appetizing Foray

Has Kmart finally found the winning formula for its foray into the food business?

Well, if its latest super center prototype, which debuted a week ago in Medina, Ohio, is any indication, then the answer is a resounding yes! But it has taken the giant discounter several years of experimentation to bring the concept to the point where management now believes it has an "established model" that can be rolled out nationwide.

The R&D of this new Super Kmart Center began more than a year ago. In fact, I recall a meeting with Larry Parkin at Kmart headquarters last November when he rolled out the blueprints for the Medina store on his desk with much excitement and enthusiasm. (Parkin, a 30-year Kmart veteran, was formerly exec vp of warehouse/grocery operations. He retired this past January.) He said that the Medina store would be different, a totally new shopping experience. He was right.



TONY LISANTI
Editor

Previous tests such as Super K and American Fare were "warehouse-style" operations; the new super center is not. And this distinction is not only the key factor in the total integration of food and general merchandise, but it may prove to be the key to customer acceptance as well. The new Super Kmart Center effectively brings the supermarket and the discount store together into one cohesive store that does not overwhelm or intimidate the shopper. In fact, it subtly encourages shoppers to browse the aisles.

Here are some other key factors I believe make this new super center concept a winner:

- Aggressive pricing. A few quick comparisons around the store as well as from its TPR (Temporary Price Reduction) circular indicate Kmart will be a tough competitor.
- Food service. One Kmart exec said at the opening the store needed a "little theater." And food kiosks, which offer an array of prepared entrees, salads, snacks and desserts, provide just enough fun, excitement and convenience. Obviously, Kmart studied many chains including Minneapolis-based Byerly's, a progressive supermarket chain known for its food service.
- Cross-merchandising. Parkin stressed the importance of product mix. And so did Dave Marsico, now general manager of combination stores. For example, there is a Gatorade stack-out adjacent to sporting goods and baby food in the infants department. The transition from supermarket to discounter is smooth and comfortable.
- Convenience. The store is well lit; the aisles wide. Every product is easily accessible and clearly priced.
- Excitement. TV monitors in key cross aisles and entranceways, as well as the food kiosks, enhance the "fun" aspect of shopping the store.

Yet, one lingering question remains. Will customers accept the one-stop shopping concept? Will they shop "both sides" of the store?

Furthermore, Wal-Mart has achieved a similar level of confidence with its latest super center in Batesville, Ark. And don't forget other competitors including Twin Valu, Meijer and other supermarket chains such as Kroger. It will not be easy to expand the super center concept, but the potential pay-off is staggering. A conservative estimate based upon opening 10 super centers a year with sales of $50 million could easily make this a $2.5 billion business in five years.

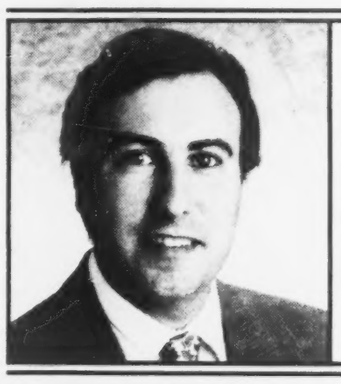
The stage is set for battle of the super centers in the 1990s.

BUYERS & SELLERS

There's No Business Like 'Show' Business

The National Hardware Show this week kicks off what I like to refer to as the retail industry's Fall Show Season. Like the networks' fall lineup of TV shows, the retail show season will have its own series of comedy and drama.

For retail reporters as well as for buyers, this fall show season is only slightly less hectic than the big winter/spring show season (i.e., January's Consumer Electronics Show and Housewares Show week through February's Back-to-School Show, Toy Fair, Photo Marketing Association Show and sporting goods Super Show, to March's MAGIC men's wear madness). This year, each of those shows had a personality that reflected the temper of the retail industry. For example, the gloomy apprehension that permeated the winter CES not only reflected the soft market for big ticket electronics, but was prophetic in light of continuing problems in the CE industry, including, but not limited to, last month's contraction by Newmark & Lewis.



DON LONGO
Exec Editor

On the other hand, the housewares show reflected a cautious optimism that was hard to easily justify at the time. After all, two of the biggest retail accounts of many housewares vendors, Best Products and Hills, had just gone Chapter 11. As it turned out, housewares sales held up better than most other product categories through the recession.

According to some reports, the 1991 Toy Fair was one of the least exciting fairs in years. And you know how the toy business is slogging along. In contrast, the photo show was extremely upbeat. Perhaps timing had something to do with that—since the show's beginning coincided with the swift conclusion of combat in the Persian Gulf.

As onerous as the travel schedule promises to be, I can't wait to see how the fall shows shake out. The Hardware Show will provide a glimpse at the state of the hard lines industry. If the country is truly coming out of recession, as the president and his economic gurus contend, hardware and home improvement/fix-up products should be among the first to feel the impact. Additionally, the show will feature *DSN's* annual SPARC (Supplier Performance Awards by Retail Category) banquet, where Discounter of the Year David Glass of Wal-Mart, Hall of Fame inductee Stan Brenner of Fisher's Big Wheel and Vendor of the Year Wolf Schmidt of Rubbermaid will be honored along with about 50 top industry suppliers.

After that, the shows come fast and furious. There's the annual auto aftermarket show, Exclusively HBA, the fall Housewares and Lifestyle Products show, the sporting goods show, Southern Furniture Market and, of course, the fall MAGIC.

To make life even more hectic for buyers, there are two stationery/home office shows in the fall. The first is in November, when the Thalheim organization conducts its Back-to-School Fall Show in Chicago. It was formerly held in February in New York). Then, in December, the industry's newest trade association, SHOPA (School/Home Office Products Association), conducts its first trade show in New Orleans.

Apparently, in the retail industry, there's no business like show business.

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DSN ANNUAL PART 2

DSN projects that discount industry sales will hit $168.9 billion this year, a 7.3% increase over 1990 sales of $157.4 billion. Eighty-five percent of that business will be conducted by full-line discount department stores, catalog showrooms, specialty discounters and off-price apparel chains. This special report examines sales, productivity and major trends in the top 14 discount department store merchandise categories. It also looks at the productivity of the top discounters, and provides a national state-by-state store count census of discount department stores, specialty mass retailers, membership warehouse clubs and catalog showrooms.

Discount Industry Annual Report

PART II: MERCHANDISING AND PRODUCTIVITY ANALYSIS

Home Products Hot in Off Year

Photo supplies, basically cameras, film, and related products, will generate the highest sales productivity per square foot at full-line discount stores this year, according to *DSN* research.

In fact, the whole area of home product categories—including housewares, consumer electronics, photography and domestics—will generate a larger percentage of full-line discounter sales this year. These categories will total over $26.7 billion in sales this year, or nearly 30% of total store sales. Last year, the home product categories accounted for about 28.6% of store sales.

Ladies' wear, men's wear as well as children's wear will dip a bit in total store market share, but nevertheless, will still account for nearly one-third of total store sales. It appears that the recession has most greatly affected ladies' wear sales at full-line discounters.

***Photo supplies** and the home product categories will generate a larger percentage of discounter sales this year.*

The remainder of discount store sales will come from the hard lines categories of hardware, health & beauty aids, automotives, toys, sporting goods, and stationery. These categories will generate about $30.8 billion in sales, or nearly 35% of total store sales. Miscellaneous other product categories will total some $2.9 billion in sales for discounters.

This special report of *DSN* includes an analysis of the major merchandising trends in 14 product categories. Some highlights include:

- While women's wear will still lead all categories in sales at discounters, it also leads in most number of complaints. From a lack of fashion excitement to the recession, women's wear retailers struggled to stay on their feet last year. The year will be remembered less for innovations than for the refining that retailers did to capitalize on target customer bases and rid the stores of unprofitable merchandise.

New boutiques emerged to emphasize categories previously underexplored; markets were more closely defined and specialty categories exploited; and stores were upgraded and redesigned to make shopping more enjoyable.

- In housewares, many chains began to take a "category killer" approach to the department. Big players like Kmart and Wal-Mart, smaller regional chains like Stuarts and Rose's, and variety chains like Sprouse, took a hard look at which categories made the most sense in which to make a commitment. It appears they have determined that the entire world of home decor is a key element to the "killer" merchandising strategy.

Everything from crafts, area rugs and throw pillows to closet shop, lighting, picture frames and gadgets were developed at many chains, gaining floor space, and increased ad frequency.

- In the electrics area of housewares, retailers ran fewer price promotions last year, and, consequently, achieved stronger gross margins. Value-added strategies—such as free hair brushes with blow dryers and free recipe booklets with food preparation appliances—helped retailers regain profits in this notoriously low-margin business.

New product introductions like stovetop and tabletop grills, new versions of the automatic iced tea makers, plus assorted grilled sandwich makers pepped up otherwise sluggish sales in the electric housewares business.

In personal care appliances, growth continued at a steady clip due to the upswing in two demographic groups—health-conscious senior citizens and baby boomers feeling the first twinges of age.

- Children became a force to be reckoned with in 1990. Media reports of how much children spent of their own money put a gleam into discounters' eyes; not to mention what feelings the spending habits of parents and grandparents produced.

Over the last few years, discount retailers have consistently been the more popular avenue of distribution for children's wear. That fact was taken to heart by many discounters which worked toward building that area with new merchandise presentations and increased space.

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Full-Line Discount Store Productivity

Category	Discount Volume (In Millions)	Sales Per Store (In Thousands)	Dept. Size (In Sq. Ft.)	Annual Sales Per/Sq. Ft.	Annual Turns	Percent Initial Markup	Percent Gross Margin
Ladies' Wear	$12.85	$1,701,987	11,000	$154.73	4.2	44.16%	33.5%
Housewares	12.16	1,610,596	7,550	213.32	3.5	31.49	24.0
Children's Wear	6.80	900,662	7,600	118.51	4.3	40.32	32.2
Hardware	6.80	900,662	4,450	202.50	2.6	37.01	31.1
Consumer Electronics	6.72	890,066	2,200	404.58	3.6	25.36	17.6
Men's Wear	6.66	882,119	6,500	135.71	4.1	42.37	32.6
Health & Beauty Aids	6.58	871,523	3,300	264.10	5.5	22.92	18.9
Automotives	5.76	762,914	2,300	331.70	3.6	30.41	24.2
Toys	4.69	621,192	2,600	238.92	3.2	33.84	26.7
Domestics	4.62	611,921	4,000	152.98	2.7	41.77	33.1
Sporting Goods	4.00	529,801	2,550	207.77	2.4	32.99	26.7
Photography	3.07	406,623	550	739.31	3.7	22.78	17.8
Stationery	2.95	390,728	2,100	186.06	4.2	42.80	39.1
Jewelry	2.16	286,093	700	408.70	1.9	42.26	41.4

Housewares includes personal care, small electrics, non-electrics and RTA furniture.
Hardware includes paint and tools.
Children's includes girls', boys', infants', and toddlers' wear.
Toys includes wheel goods.
Consumer electronics includes video games.

Source: DSN research

Annual Discount Industry Report

Part II: Merchandising and Productivity Analysis

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APPAREL

PART II: MERCHANDISING AND PRODUCTIVITY ANALYSIS

Lingerie, Special Sizes Get Women's Notice

Women's wear still leads the retail parade at discount. It also leads in the number of complaints. From a lack of fashion excitement—a complaint that was surely first uttered by a dissatisfied shopper named Cleopatra—to the dreaded recession, women's wear retailers struggled to stay on their feet last year.

1990 will be remembered less for innovations than for the refining retailers did in women's wear departments and with women's wear merchandise: all actions designed to capitalize on target customer bases and rid the stores of unprofitable merchandise.

New boutiques emerged to emphasize categories previously underexplored; markets were more closely defined and specialty categories exploited; store upgrading and redesigning continued to make shopping more enjoyable.

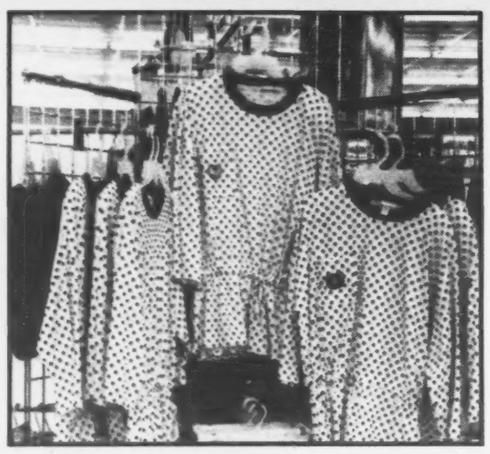
Shop-within-a-store concepts evolved. More manufacturers were getting into the act, and included new areas of merchandise.

Lingerie, which has been a hot area for the last few years, got major play in stores like Alexander's, New York. Bestform, the daywear and lingerie manufacturer, tested its product shop concept in this and other regional retailers. Coordinated tops and bottoms, stretch lace fashion items and some sexier merchandise made the grade in the stores.

The larger discounters also made similar statements. New Babylon, Sayville and Levittown, N.Y.—

Ladies' Wear $18.75 Billion	
Full-Line Discounters	$12.85B
Catalog Showrooms	—
Specialty Discounters	$5.9B
Full-Line Discount Store Productivity	
Sales	$12.85B
Sales Per Store	$1,701,987
Dept. Size	11,000 Sq. Ft.
Sales Per Sq. Ft.	$154.73
Turns	4.2
Initial Markup	44.16%
Gross Margin	33.5%

Source: DSN research



***Waterfall fixtures** and overhead displays spiced up the look of women's wear merchandise at New Bedford, Mass.-based Stuarts (above) and at Hills, Lima, Ohio.* (DSN photos)

Kmarts featured extensive lingerie areas repleat with romantic lifestyle graphics.

Women's activewear, or more precisely performance wear, also got big play at Kmart. The chain introduced Rachel McLish leotards and other activewear. Kmart is banking on McLish's active image as a national body builder.

Even off-pricers such as Marshalls are in tune to good bodywear with at least one rounder designated to the merchandise in its smaller stores.

Jacques Moret is among the more visible performance-specific lines in the market. Gitano, this year, revamped its line to be more sportswear-oriented.

Discounters also concentrated on special sizes. This customer, often ignored by major retailers, found a new haven at discounters.

Plus sizes has been the more popular special size of recent years. In 1990, the category got its first branded shop concept through a Justin Allen shop at Prange Way. As a matter of fact, the Green Bay, Wis.-based discounter consciously emphasized both women's plus sizes and men's big & tall sizes, noting that both were more important than juniors in their markets.

Petite sizes also became news early this year as Kmart expanded its Jaclyn Smith line to include petites. According to Kmart, the line will feature the same styles as in the regular Jaclyn Smith line with the appropriate size adjustments.

With the entree of Jaclyn Smith in the petite market, it becomes one of the most visible brands in the category. The major discount brands—Gitano, Chic, Sasson, Cape Cod and Bonjour—also have a hand in petites through various merchandise. With this beginning, special sizes looks to be an area that will be looked at closely in the coming year.

Discounters Featuring Jewelry and Accessories

Jewelry and other accessories proved to be safe ports in a storm for some discounters. As in most recessionary periods, these categories often do better than some apparel.

Consumers who may not want to spend money on a completely new wardrobe are perfectly willing to spend money on a piece of jewelry or an accessory that updates an outfit.

Jewelry and accessories became an important area for discounters a number of seasons ago. For the past year, discounters have increased the space devoted to the category.

Marshalls new prototype stores feature an expanded jewelry and accessory area in the front of the store.

Likewise, T.J. Maxx continued to increase the number of stores with jewelry departments in 1990.

Kmart decided to feature jewelry more prominently. Evidence of its emphasis on the market was the move to change the distribution of the category. Jewelry was brought under the auspices of the Apparel division in its New Jersey facility, where automated QR systems are in place.

For some discounters, reaction to a tough economy resulted in moving the area off to the side. Stuarts, struggling through a Chapter 11 bankruptcy, changed its format to move a stronger children's department to the front. In refurbished stores, jewelry is on the side, separated from the rest of the store bull pen fashion with electronics.

Watches remain a favorite jewelry item at discount. It is also a category with a wide price range offering.

At Filene's Basement, a lone Rolex watch was on sale for a mere $3,840. Obviously, this was the exception rather than the rule. Mass market brands such as Gitano and more palatably priced watch brands like Timex and Swatch were the among the timely favorites.

As in women's wear, no one specific style captured consumers hearts. Faux pearls, silver-toned items and statement-making pins were successful.

Children's jewelry, both for its play and decorative value was featured at many discounters. The number of manufacturers offering this type of product increased in the last year. From R.N. Koch to newcomer Junk Inc., manufacturers are gearing specific products to this growing market.

Earrings in pastels for babies or brightly colored pop art pieces for older kids make for fun displays. The merchandise was placed in both traditional jewelry sections and in the kids' department.

Jewelry $5.64 Billion	
Full-Line Discounters	$2.16B
Catalog Showrooms	$2.58B
Specialty Discounters	$0.90B
Full-Line Discount Store Productivity	
Sales	$2.16B
Sales Per Store	$286,093
Dept. Size	700 Sq. Ft.
Sales Per Sq. Ft.	$408.70
Turns	1.9
Initial Markup	49.26%
Gross Margin	41.4%

Source: DSN research

DISCOUNT INDUSTRY ANNUAL REPORT: PART II

Chains Take a Casual Approach to Men's Wear

Men's wear did little to offset the less than spectacular performance of women's wear at apparel discounters.

The hard economic times, however, did not stop retailers from giving the men's department a facelift. In fact, many of the characteristics that defined women's wear merchandising began finding their way into the men's area as well.

For instance, brand names became more important and shop concepts, though in simpler forms, were tested in many areas.

Overall, casual was the mood of men's wear at discounters. Off-pricers such as NBO and S&K did not fare well in the market. Both these stores offer men's suitings in a time where the emphasis and success seems to be concentrated in active and casual.

It is no surprise, therefore, that sports licensing was a bright spot for many. NFL leased departments did well at chains such as Montgomery Ward. Target found micro-marketing worked with college and professional sports teams. Regional chains like Rose's created large departments centered on local sports favorites.

Chalk Line was one of the manufacturers that parlayed this trend into dollars. The company has the licensing rights to a number of teams and captured both high-end markets and discount customers with products like silk screen nylon jackets and warm-up suits. The silk screens feature the faces of prominent sports stars.

The almost always healthy fleece market was perhaps the most influenced by this sports trend. Young men in particular choose their fleece fashion not by brand but by the team logo that was emblazoned on the front of the sweatshirt.

Non-sport shop concepts were also introduced and refined during the year.

Gitano, which many credit with initiating the concept in women's wear at retailers, took it into the men's department, albeit, on a much smaller scale.

McGregor and Reed st. James were other companies that inaugurated what is more correctly defined as merchandising program displays. Often, the displays in the men's area were less of a "shop" and more of a well-planned fixturing design.

Manufacturer-driven merchandise programs are apt to continue into the coming year—for all categories.

As for fashion trends: there were few that stood out and saved the day.

Floral ties found their way to discount stores after a few seasons at high-end retailers.

Surfer looks, for younger men especially, did well. Brightly colored shorts and very graphic matching T-shirts were the uniform of choice for many.

The jeans of choice were the standard five-pocket basic, though men did seem to be willing to experiment with various finishes. Black did well in young men's; traditional blue attracted the more mature customer.

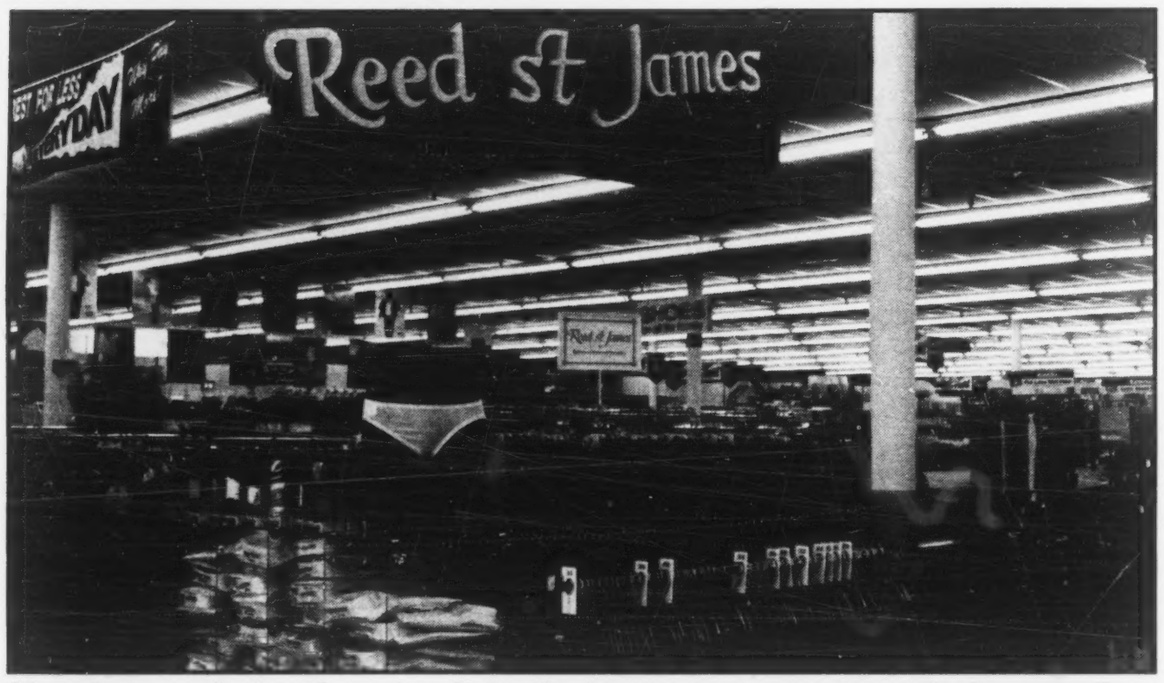
As the casual mood filtered through discounters, many bottoms companies announced they would be introducing casual pants lines.

Wrangler was the most ambitious and hoped its Timber Creek line would be to discounters what Levi's Dockers are to the likes of Sears and JCPenney. Even traditional jeans manufacturers such as Long Haul introduced a twill pant for the market.

This is a men's category to watch in the coming year. Wrangler plans a major advertising push for its Timber Creek program. With the phenomenal success of Dockers, a quality counter brand at discount might be just what the retail doctor ordered for ailing men's chains.

Men's Wear $9.51 Billion	
Full-Line Discounters	$6.66B
Catalog Showrooms	—
Specialty Discounters	$2.85B
Full-Line Discount Store Productivity	
Sales	$6.66B
Sales Per Store	$882,119
Dept. Size	6,500 Sq. Ft.
Sales Per Sq. Ft.	$135.71
Turns	4.1
Initial Markup	42.37%
Gross Margin	32.6%

Source: DSN research



***Manufacturer-designed** merchandising display programs grew in popularity at retailers.*

Kids' Apparel Puts Gleam in Discounters' Eyes

Children became a force to be reckoned with in 1990. Media reports of how much children spent of their own money put a gleam into discounters' eyes; not to mention what feelings the spending habits of parents and grandparents produced.

Over the last few years, discount retailers have consistently been the more popular avenue of distribution for children's wear. That fact was taken to heart by many discounters which worked toward building that area with new merchandise presentations and increased space.

Kids "R" Us, the apparel specialty division of Toys "R" Us, continued its growth in the children's wear market, though the recession hit even this powerhouse category.

Many full-line discounters, including the hardest hit, hoped the children's area would alleviate some of the pressure.

When Kmart's chainwide renovation began, children's wear was a focal point. In some prototype stores the area for the category actually doubled.

After filing Chapter 11 in December, Stuarts was one of the chains that looked to its kids' wear department as an area of strength. The chain moved the department to the front of the store to give it more presence.

Chains also relied on a growing roster of brand names to lend distinction to children's wear departments.

Even names such as OshKosh B'Gosh, long a department store name, began appearing at mass merchandisers such as Sears.

Fisher-Price, Gerber and broad merchandise labels such as Gitano and Lightning Bolt were also winners in the category.

Licensing continued to make waves with The Little Mermaid and every other Disney name. Its Minnie & Me products, which is viewed by Disney as a brand rather than a licensed item, set the standard for future Disney projects. Disney said it would incorporate all its licensees, which until now created their own labels, under one name.

Crayola had the same all-inclusive concept in mind for its line of children's clothing. It is relying on a popular and familiar toy name to peak interest.

As for character success beyond the classic favorites of Disney, The Muppets and Sesame Street, Bart Simpson held his own. Teenage Mutant Ninja Turtles wavered toward the end of the year. Barbie was doing well in accessories, and plans call for expansion of this licensing concept for the fall.

The looks that sold best in 1990 were casual and comfortable. Girls continued to wear leggings and big tops. Jeans, which were suffering in the girls' market, seemed to be making a comeback. Boys' jeans fared better.

In both markets, the trend in jeans was toward unique colors and finishes from black to light acid-washed looks.

Predictably, the styles in toddlers' remained cute and cuddly; while the larger children's sizes followed the more sophisticated trends in young men's or junior departments.

Fleece tops with college or professional team logos were a hit with boys. For girls, coordinated separates—both skirts and shorts—were popular.

Children's wear remains one of the areas in which discounters far outpace other retailers. According to U.S. population statistics, there are plenty of more customers out there.

Children's Wear $8.18 Billion	
Full-Line Discounters	$6.8B
Catalog Showrooms	—
Specialty Discounters	$1.38B
Full-Line Discount Store Productivity	
Sales	$6.8B
Sales Per Store	$900,662
Dept. Size	7,600 Sq. Ft.
Sales Per Sq. Ft.	$118.51
Turns	4.3
Initial Markup	40.32%
Gross Margin	32.2%

Source: DSN research

***Many full-line discounters** added more space to the children's wear department and made it the focal point of the store.* (DSN photo)

HOME PRODUCTS

PART II: MERCHANDISING AND PRODUCTIVITY ANALYSIS

Retailers Put Emphasis on Home Decor

In 1990, many chains began to take a "category killer" approach to non-electric housewares.

Big players like Kmart and Wal-Mart, smaller regional chains like Stuarts and Rose's, and variety chains like Sprouse, have taken a hard look at which categories made the most sense to be "committed" to, and which were only a distraction from their primary merchandise opportunities. It appears they have determined that the entire world of home decor is a key element to the "killer" merchandising strategy.

Everything from crafts, area rugs and throw pillows to closet shop, lighting, picture frames and gadgets were developed at many chains, gaining floor space, and increased ad frequency.

Kmart, Ames, Jamesway and Harts were among the full-line discounters which expanded the crafts department at most stores during the past year, as did variety store chains, fabric stores and home decor stores like Waccamaw and nursery chains. The close link between home fashion trends and home crafts projects like silk flower arrangements, tole painted and stenciled home accents, handmade throw pillows and other home decor crafts, has fostered a rebirth of the category.

An aggressive stance in crafts could also help chains facing Wal-Mart, which is well-known for its service-oriented fabric and crafts department.

A close cousin to the crafts category, picture frames, has still not peaked as sales of better quality, higher-ticket styles continue to climb. The custom frame business in craft specialty chains was a major source of growth last year. One full-line regional discounter, Van Leunen's in Cincinnati, began experimenting with a category killer approach to framing last year by working with a local framing store. Van Leunen's customers were offered one-stop shopping for frames; if the store's expanded frame department did not meet their needs, custom framing was available.

Several new retailing formats have sprung up to take advantage of the home decor craze. They include Jamesway's My House store, Ames' Crafts & More stores and departments, Ben Franklin Crafts stores and Pergament's soon to be opened chain of home decor specialty stores.

The home decor segment is so hot that virtually every direct mail cataloger and most home center chains are trying to gain peripheral sales by offering home decor merchandise. Most recently, Pergament exploded its home decor and housewares categories to include a Rubbermaid "boutique" and an International department spotlighting wicker, brass, and other home accents resembling Pier 1.

Soft home direct mail retailers like Hanover House's Domestications arm added some RTA furniture and dinnerware to its comforters and window coverings, while novelty catalog, Lillian Vernon, developed its own coordinated patterns for closet shop and bath.

Ready-to-assemble furniture was a tough decision for merchandising execs since some chains decided this space-intensive, relatively high-service category didn't earn its keep in terms of gross margins. Other chains however, most recently Kmart, have decided to establish category dominance in RTA as evidenced by its Long Island, N.Y., stores opened in May. Both the Sayville "test" store and the Levittown prototype devoted about 10 gondola runs to RTA and lifestyle furniture. The furniture category was paired with an enhanced lighting department.

The marriage between hard lines housewares and soft home merchandise was consummated last year as manufacturers from both segments designed products that made the most of both product areas.

The blending was most apparent in tabletop and bath. Textiles ranging from tablecloths and napkins to potholders and appliance covers were paired with dinnerware, flatware, glassware and serveware patterns. Soap pumps and trash cans that pick up shower curtain and domestics designs are more frequently being paired together instead of being relegated to separate category displays.

Manufacturers like New York-based International China (creator of the "Marmalade" pattern and others) and retailers like Kmart and Target have paved the way for this integrated approach to kitchen housewares, and now coordinated merchandising is becoming more the rule than the exception.

Non-Electrics $8.3 Billion	
Full-Line Discounters	$7.49B
Catalog Showrooms	$0.81B
Specialty Discounters	NA
Full-Line Discount Store Productivity	
Sales	$7.49B
Sales Per Store	$992,052
Dept. Size	6,000 Sq. Ft.
Sales Per Sq. Ft.	$165.34
Turns	3.5
Initial Markup	36.82%
Gross Margin	30.2%
NA: Not applicable.	*Source: DSN research*

Value-Added Strategies Help Cook Up Profits

Retailers ran fewer price promotions in electric housewares and personal care appliances last year, and, consequently, achieved stronger gross margins. Value-added strategies—such as free hair brushes with blow dryers and free recipe booklets with food preparation appliances—helped retailers regain profits in this notoriously low-margin business.

New product introductions like stovetop and tabletop grills by Griffo Grill and other suppliers, new versions of the automatic iced tea maker originally launched by Mr. Coffee, plus assorted grilled sandwich makers pepped up otherwise sluggish sales in the electric housewares business last year.

In personal care appliances, growth continued at a steady clip due to the upswing in two demographic groups—health-conscious senior citizens and baby boomers feeling the first twinges of age.

Both of these groups tend to have enough disposable income to keep the business growing. They are interested in appliances that do everything from clean the air and water to measure blood pressure and massage aching muscles.

Wet/dry shavers and dental care appliances, such as Windmere's Plac Trac, were among the relatively new product lines that lured consumers into the personal care department.

In electric housewares, consumers could hardly open a retail circular without seeing some variety of stovetop or tabletop grill on promotion last spring. And mass merchandisers were not the only ones promoting this sometimes electric, sometimes non-electric item. Department stores like Jordan Marsh and Macy's were also using these grills as a traffic builder. The fat-free approach to cooking won over consumers as did other health-oriented food appliances.

For instance, bread makers, introduced about three years ago, began catching on at upscale mass retail stores as part of a back-to-basics shift linked to a rising interest in personal health.

Other electrics that benefited from a more grass roots approach to food preparation included pressure canners for home canning of produce, and pasta makers. Woks—both electric and stovetop models—also staged a rebirth as ethnic cooking styles that were viewed as being more healthful came back into vogue. And even merchandise popular in the 1960s—like fondue pots, snow cone kits, electric juicers and yogurt makers—staged a subtle return to popularity.

Automatic drip coffeemaker sales were given a shot in the arm by the attention to anti-oxidation methods. Examples of this included Braun's carafe with a self-closing spout, and Black & Decker's insulated carafes. The thermal carafe eliminates the need for the pot to be heated after the coffee is brewed, reducing both evaporation and oxidation.

Microwave oven sales continued to decline in 1990 due to market saturation. Short of vendors developing a new twist on the microwave appliance, retailers will have to wait until a rise in the replacement market signals promise for the category.

Personal Care $3.04 Billion	
Full-Line Discounters	$2.84B
Catalog Showrooms	$0.20B
Specialty Discounters	NA
Full-Line Discount Store Productivity	
Sales	$2.84B
Sales Per Store	$376,160
Dept. Size	750 Sq. Ft.
Sales Per Sq. Ft.	$501.55
Turns	3.7
Initial Markup	26.0%
Gross Margin	18.00%
NA: Not applicable.	*Source: DSN research*

Electrics $2.42 Billion	
Full-Line Discounters	$1.92B
Catalog Showrooms	$0.50B
Specialty Discounters	NA
Full-Line Discount Store Productivity	
Sales	$41.92B
Sales Per Store	$254,300
Dept. Size	800 Sq. Ft.
Sales Per Sq. Ft.	$317.88
Turns	3.8
Initial Markup	25.8%
Gross Margin	17.62%
NA: Not applicable.	*Source: DSN research*

***Ice tea pots** and electric and non-electric grills are giving a boost to otherwise sluggish sales in housewares.* (DSN photo)

ANNUAL REPORT: PART II/PHOTO

Discounters Move Toward TV 'Imaging'

While the photo market as a whole is essentially flat, with low percentage growth projected for the next year, discounters have had great success in the category, particularly in 35mm film sales and in photofinishing.

The film business matured years ago. Recent surges from the latest baby boomlet were counteracted by the increasing usage of compact camcorders, which will continue to erode film usage. It's not too surprising that film suppliers like Fuji are getting into the camcorder business, as well as the 8mm videotape market, strongly.

Clearly, the trend is toward "imaging" rather than photo. While cameras and standard 35mm film will probably put up a better fight than did turntables and vinyl albums against the compact disc technology, the similarity of their situations is striking. Like film, the standard LP has a tactile presence that appealed enormously to consumers—right up until they bought their first compact disc player. Film producers have long argued that consumers want to be able to touch and hold their photos, and that electronic reproduction just wouldn't fulfill that tactile need.

The evidence, however, suggests that consumers are getting very comfortable with viewing their "photos" on their televisions. Camcorders have led the way here; from a product that was rarely seen outside family reunions in the backyard, camcorders have become almost omnipresent wherever people get together, from the beach to the amusement park to the ball game. As a whole new CD-based still technology becomes available, it's likely that consumers will find it extremely attractive.

Recognizing this trend, Kodak and Polaroid have both announced that they will, in the future, become imaging, not photographic, companies (and Fuji has made the same decision, de facto). Kodak has already introduced its CD technology, which requires a $500 player at home and conversion of film images to a CD format. But how long will it take to develop a camera that shoots direct to CD? And while the player may be overpriced, Philips new CD-I player will accept Kodak discs, leading to even more synergy. As HDTV and other advanced playback technologies reach the marketplace, the advantages of electronic imaging should quickly overwhelm the few drawbacks.

That said, the film business is still a major business at discount stores, which now account for nearly 20% of all film sold in the United States, second

(Continued on page 74)

Wal-Mart, State College, Pa.: *Discounters are moving slowly into the camcorder market, although most retailers now stock 8mm tape.* (DSN photo)

Photo $3.36 Billion	
Full-Line Discounters	$3.07B
Catalog Showrooms	$0.29B
Specialty Discounters	—
Full-Line Discount Store Productivity	
Sales	$3.07B
Sales Per Store	$406,623
Dept. Size	550 Sq. Ft.
Sales Per Sq. Ft.	$739.31
Turns	3.7
Initial Markup	22.78%
Gross Margin	17.8%

Source: DSN research

The power behind the

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Domestics Find a New Home at Discount Stores

While the home products categories as a whole have done well at discount stores in this era of homebodies, domestics has been the spearhead of the life-style movement, and the leading signal to the shopping public that a revolution is underway in the discount field.

Less than a decade ago, discounters were clearly second-class citizens in the home fashions field. The chains, with few exceptions, sold only the basics in, to paraphrase Henry Ford, any color you want as long as you want white. The average store specialized in seconds, remnants, overruns and a few everyday patterns, just as they had since the dawn of discounting.

But times have changed. The discount store shopper has become fashion conscious and no-brand jeans, polyster shirts, remnants and overruns aren't good enough anymore.

Now, largely because of outside factors, retailers have moved closer than ever to becoming the leading outlet for home fashions in the United States.

Discounters, in particular, have benefited from the trouble in the department store sector. With many department stores hit with heavy debt burdens and pressed by the recession, it often doesn't make economic sense for consumers to shop there. Consumers seem to understand that stores that routinely run 50% off sales start with big markups.

While discounters also were hurt by the recession—and some heavy debt—they entered the year with lean inventories, and are now able to profit from the recovery. Several mills have reported record May and June sales due to this situation.

And, 1990 was the year that several discounters offered some ambitious fashion programs. Kmart's Martha Stewart program overcame its early troubles, and appeared to gain customer acceptance. Target's Country Estates coordinates, too conservative in their debut, really got on track in 1990. ShopKo, Caldor, Rose's, Fred Meyer, and Wal-Mart were other chains that made significant advances in 1990.

In addition to fashion, discounters added new levels of luxury in the past year. Most notable: full selections of down comforters and 200-count sheets, as well as super luxurious towels at what used to be value price points in department stores. Key suppliers included Hollander Home Fashions (comforters), J.P. Stevens (200-count) and Dundee (oversized towels).

The major retailers, as well as several regionals, have made major commitments to the category. Both Wal-Mart and Kmart have added roughly 20% to the square footage dedicated to bed & bath, and Kmart has experimented with moving the bath department to the front of the store, even testing a point-of-sale endcap at the entrance to one cash register.

Caldor, which has been a major innovator in the category, has built its business with exclusive and semi-exclusive goods, higher price points (as an innovator in the down comforter market) and major color statements that rival those of competing department stores.

Domestics $6.02 Billion	
Full-Line Discounters	$4.62B
Catalog Showrooms	$0.20B
Specialty Discounters	$1.20B
Full-Line Discount Store Productivity	
Sales	$4.62B
Sales Per Store	$611,921
Dept. Size	4,000 Sq. Ft.
Sales Per Sq. Ft.	$152.98
Turns	2.7
Initial Markup	41.77%
Gross Margin	33.1%

Source: DSN research

***With its beefed up selections,** Caldor shoppers will find goods that rival those found at department stores.* (DSN photo)

Where this upscaling trend will end is an open question. Goods that were clearly too upmarket two years ago are top sellers today, and the American thirst for value-priced home fashions seems nowhere near peaking. The movement that started in bed & bath has spilled over to RTA furniture, tabletop, storage and other related categories. At some point, discounters will endanger their discount image; however, it doesn't appear that that point has been reached.

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Every KODAK STAR 35 mm Camera is backed by unequalled selling power. Just flip over the package and look behind the camera. Where you'll find vouchers worth $10 toward KODAK Film and KODAK Batteries that will drive customers back to your store.

But talk about added value. Every STAR 35 Camera model comes packed with a 24-exposure roll of KODAK GOLD 200 Film. And KODAK PHOTOLIFE™ Batteries. Everything your customers need to start taking great shots. Because the affordable KODAK STAR 35 Cameras are loaded with the quality features that make for great pictures. Just point and shoot. No other camera manufacturer packs so much extra value.

And behind it all is the selling power of the name prized by customers the world over.

So call your Kodak sales account executive today. And put your camera decisions behind you.

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ANNUAL REPORT: PART II/CONSUMER ELECTRONICS

CE Gaining Increased Notice at Discounters

Consumer electronics is rapidly becoming more and more important to full-line discounters. From Kmart installing a Sharp high-tech 100-inch projection television in at least one of its new stores to Wal-Mart testing 150 Home Office departments to Fishers Big Wheel re-accentuating the category, CE is becoming big business.

Of course, the category has been up and down for years, but there's a twist this time. In place of the more commonplace array of off-brand boomboxes, inexpensive color televisions and cheap telephones, discounters today are making their money in relatively sophisticated areas, including pcs, video software, fax machines, personal printers, compact disc players and full-feature telephones to build traffic, consumer loyalty and, of course, sales.

Now, retailers are targeting profitable software and accessory product areas, including a wide range of office accessories like printer ribbons, computer peripherals, diskettes, software, toners and other daily-use items that draw consumers into the store on a regular basis, and offer attractive margins as well.

Storage products, blank media like videotape and audio tape, video game accessories, and video cases and accessories are also growth areas.

Like CE specialists, discounters were hampered by the recession and the lack of any truly new products in the marketplace. But they seem to have used this period of inactivity to upgrade their selections and move into technologies that were thought to be too advanced for their customer base. While Wal-Mart has experimented with computers, fax machines, copiers, large screen televisions and other products over the past decade, the chain is just this year really making an effort to become a home office source. Wal-Mart is reportedly rolling out 150 home office departments across the country that will sell a full range of business products, from hardware to supplies to accessories.

Kmart has dressed up its CE department, rolling out a selection of 8mm camcorders to all stores in late 1990, testing big screen televisions, making a major commitment to the video game category and committing to top national brands.

Target, too, has upgraded its selection and focused more on the category as a whole.

With expansion by superstore chains pretty much maxed out, discounters will have the opportunity in the coming years to build their CE business. The CE superstore attracts and caters to a certain segment of the market. While it is a large segment, there are a lot of consumers out there who don't patronize the superstores, yet still want relatively sophisticated products.

While it's rare that a discounter pioneers any product category, here are a few that are starting to mature that may lend themselves to the discount environment in a major way: big screen televisions, camcorders, hi-fi VCRs, CD changers, satellite systems, low-end fax machines, pcs and printers, personal copiers, 16-bit and CD-ROM video game systems, and personal reference devices like Franklin's spelling aids and Sharp's Wizard organizer.

The most interesting aspect of these products, or at least most of them, is that they promote repeat visits for higher-margin supplies like computer diskettes, printer ribbons, 8mm and VHS tape, fax paper, computer and video software, video editing systems and much more. And coming soon are technologies that should rapidly move onto discount shelves after a brief period at

(Continued on page 74)

Consumer Electronics $14.72 Billion	
Full-Line Discounters	$6.72B
Catalog Showrooms	$1.00B
Specialty Discounters	$7.00B
Full-Line Discount Store Productivity	
Sales	$6.72B
Sales Per Store	$890,066
Dept. Size	2,200 Sq. Ft.
Sales Per Sq. Ft.	$404.58
Turns	3.6
Initial Markup	25.36%
Gross Margin	17.6%

Source: DSN research

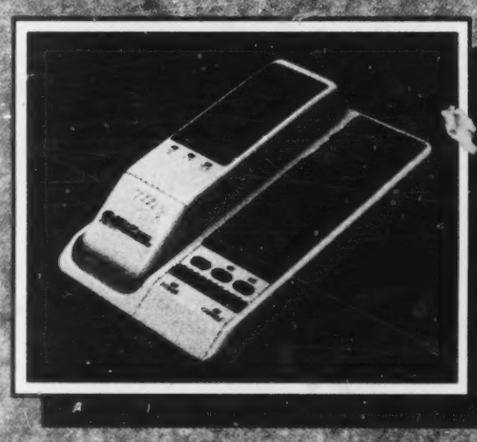
"HEADING FOR THE FUTURE"

Northwestern Bell Phones' slogan for the new decade is

"Celebrate The '90s ... The Best Is Yet To Come!"

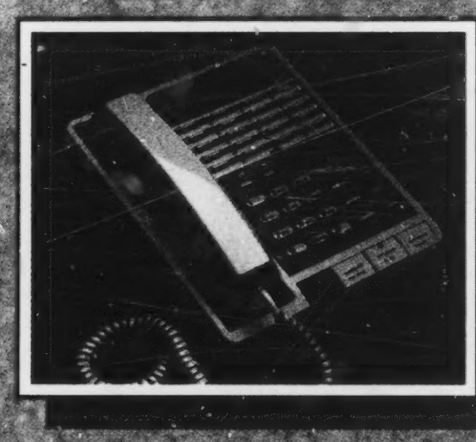
Celebrate with us and get in on the benefits . . .

INNOVATIVE PRODUCT INTRODUCTIONS

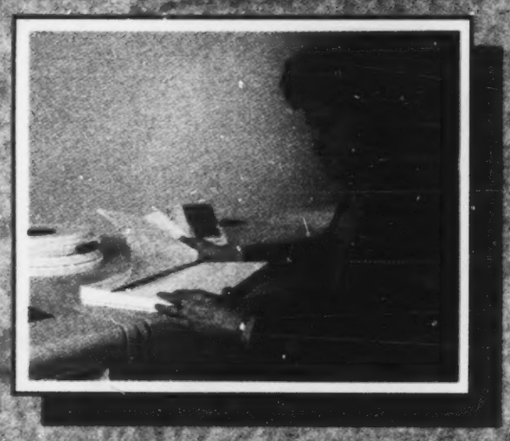


NEW WAREHOUSE AND QC FACILITY

FULL LINE OF PRODUCTS FOR THE HOME OR OFFICE



STATE-OF-THE-ART COMPUTER SYSTEM WITH EDI COMMUNICATIONS



FIRST RATE REPAIR FACILITIES AND CUSTOMER SERVICE PROFESSIONALS

These benefits combined with a new two-story booth at the Consumer Electronics Show plus the introduction of 10 new products, in addition to the 23 new products introduced last year, continues to demonstrate that Northwestern Bell Phones is leading the way in customer commitment with top quality products and service. Join Northwestern Bell Phones in the 90's, the company with a vision!

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9394 W. Dodge Road, Suite 100
Omaha, NE 68114

Name:_____
Address:_____
Phone #:_____
Fax #:_____

HARD LINES

PART II: MERCHANDISING AND PRODUCTIVITY ANALYSIS

Recyclables, Social Issues Impact Stationery

Stationery products aimed at a consumers' social consciousness have made a big impact on stationery and office product departments at retail since the beginning of last year.

Many new products now bear the symbol for recycled paper. Still more items offer conservation themes. Others use social messages like patriotism or child abuse, often with a portion of the proceeds going to benefit an organization.

In fact, at the February Back-To-School Merchandise Show products bearing patriotic themes, environmental concerns and social causes cropped up in greeting cards, social stationery, school glue and office supplies.

All of this is in direct response to national and global environmental concerns, world peace, and assorted safety issues and causes championed by special interest groups and consumers at large. Consumers, it seems, don't just want to express their opinions on T-shirts and bumper stickers but also with greeting cards, writing tablets and pencil barrels. And kids are interested in doing likewise.

For example, Sangamon offers a greeting card line under license with Wildlife Conservation International that features products printed on recycled paper and containing conservation messages.

Sangamon also has a program called, "For the Children—Words that Help," a card line that encourages children. A portion of the line's profits benefit the National Committee for the Prevention of Child Abuse.

Major paper and school supply manufacturers Mead, Stuart Hall, Norcom, DataCom, Atapco and Tops Business Forms, among others, offer stationery products made from recycled paper fibers. Even manufacturers like Pentech, Ross Adhesives, Manco and Olo offer products made from or packaged in recycled materials.

While the market for "green" is still being developed, consumers have shown an interest in products, manufacturers and retailers that offer these goods. Price is a big factor in the success of the lines, though. Consumers are still unwilling to pay more than 15% more for green goods.

Back-to-school stationery and home/office supplies total about $3 billion at retail, and growing. The demand for stationery supplies seem boundless with the explosive growth of office supply superstores and the growing office stationery departments at discounters.

A 1991 *Discount Store News/Drug Store News* BTS Retail Survey released during the Back-To-School Merchandise Show last February found that the overall market for BTS/home office supplies is very strong with the following noteworthy results:

- 93% of buyers forecast a sales increase of 5%-to-10% this year;
- 27% project more space will be given to both home/office supplies and recycled products;
- The fastest growing subcategories in stationery are, in order: home/office; recycled/reduced package items; children's arts/activities and year-round stationery products: organization products; and pegged writing instruments.

Also noteworthy was the formation of a new trade association, SHOPA (School & Home Office Products Association), which will conduct its first trade show this December in New Orleans. In addition, the 11th annual Thalheim Expositions-sponsored BTS Show, usually held in February in New York, will be held in November 1991 in Chicago.

Stationery $4.76 Billion	
Full-Line Discounters	$2.95B
Catalog Showrooms	—
Specialty Discounters	$1.81B
Full-Line Discount Store Productivity	
Sales	$2.95B
Sales Per Store	$390,728
Dept. Size	2,100 Sq. Ft.
Sales Per Sq. Ft.	$186.06
Turns	4.2
Initial Markup	42.80%
Gross Margin	39.1%

Source: DSN research

(DSN photo)

***More and more stationery departments** carry traditional cards and those that focus on consumers' social consciousness.*

'Green' Products Nail Hardware Department

Environmentally-friendly products and those that conserve energy and reduce waste are getting as important in the hardware department as they are in other merchandise categories.

Products like mulching mowers, chippers, composting equipment, recycling bins, lawn chemicals and more energy-efficient light bulbs, particularly florescents and halogen for interior use and passive solar for outdoors, are bringing in a fair share of hardware department dollars these days.

At the upcoming Outdoor Power Equipment Industry convention this year in Louisville, Ky., followed by the Hardware Show next month in Chicago, more "green" products and reduced packaging programs are likely additions to a vendor's 1991 offerings.

Beyond that, a consolidation of vendors within the hardware department at discount stores, more brand name products, and a greater emphasis on simple do-it-yourself projects are the major trends coming into play in mass market hardware retailing.

Merchandise selections in a growing number of hardware/do-it-yourself departments reflect the projects consumers are doing most: home fix-ups with a heavy emphasis on home decor and improving living space, including outdoor areas. This fact is breathing new life into some landscaping products, paint and paint sundries, glue guns, hand tools, wallcoverings and assorted project-related merchandise.

***Kmart, Sayville, N.Y.:** Fewer vendors and more brand names dominate.* (DSN photo)

The most recent example of these trends was unveiled at Kmart's Sayville, N.Y., store opened in June.

Designed to be more fashion-oriented and female-friendly, Kmart's new home improvement department is 200 feet larger than its previous prototype and features fewer vendors but more home decor products and informational signage to help customers make the right choices for their needs.

The focus of the department is its new paint area called "America's Paint Center." The department features only Dutch Boy and Glidden-brand paint. The revitalized wallcovering area features product only from Norwall; and Catalina won the spot as the exclusive vendor for outdoor lighting products.

(Continued on page 74)

Hardware $6.80 Billion	
Full-Line Discounters	$6.80B
Catalog Showrooms	—
Specialty Discounters	—
Full-Line Discount Store Productivity	
Sales	$6.80B
Sales Per Store	$900,662
Dept. Size	4,450 Sq. Ft.
Sales Per Sq. Ft.	$202.40
Turns	2.6
Initial Markup	37.01%
Gross Margin	31.1%

Source: DSN research

Weyerhaeuser

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H&BA Shows Fresh Face at Retail

Industry reports say that discounters continued increasing market share for H&BA products in 1990 and are picking up pace in the category at some expense to drug stores.

Nielsen Marketing Research, which tracks the category, reported that discounters captured an increased share of sales in 66 H&BA categories in 1990.

Full-line discounters won points by offering variety and improving the look of the department and by increasing space. To some degree, discounters also upgraded their merchandise mix. Perhaps the boldest example was Wal-Mart's offering of Estee Lauder products. The department store brand was displayed in a counter case at one of the newer Wal-Mart prototypes.

Deep discount drug stores tried the same tactics. The top three, Phar-Mor, Drug Emporium and F&M, succeeded and sales rose by 15% and over.

Maybelline, Max Factor and L'Oreal remain among the leaders in the cosmetic arena. For the moment, the entire cosmetics industry has its eyes focused on Revlon and the Max Factor division. Procter & Gamble is buying a piece of the conglomerate, which will operate under P&G's Noxell division.

This should strengthen Noxell's position, which already has successes with Cover Girl and Clarion cosmetics and Noxema skin care products.

A visible trend in 1990 was the passionate concern for the environment that influenced H&BA retailers. A new crop of merchandise dubbed safe and natural, in both cosmetics and cleansers, began appearing more regularly at discount stores last year.

Kmart's newest stores feature extensive merchandise areas promoting environmental products. As more manufacturers create "green" goods, the shelf space for these items is sure to increase.

***Deep discount drug chains** like Phar-Mor have followed retailers' leads and had sales increases of 15% and over.*

As in apparel, children grew to new prominence in this market. Licensed characters targeted to youngsters found their way onto, among other things, toothbrushes, toothpaste, bandages and lotions. Target was one of the full-liners to devote an endcap to the children's category.

This is another category that appears to be on a growth path. It is no longer defined solely by licensed characters. Manufacturers that market everything from sunscreen to shampoos are focusing on making even the younger customers brand aware. For instance, Coppertone offers a sunscreen product for children under its own label, Water Babies.

Brands battled for shelf space in the razor area in 1990. Gillette, which introduced its Sensor razor in 1989, had new competition in Tracer, a razor system from Schick.

There had been reports that Gillette had not gotten the market share it expected for the Sensor. The company puts its share at about 11%, but this spring it embarked on coupon and trial programs for consumers in an attempt to expand its base.

Disposables continue to outsell permanent shaver systems. Multipack promotions helped Bic and Wilkinson capture a part of this market. Many of the razor companies also marketed disposables in fashion colors because studies indicate women prefer them.

A number of new fragrances were introduced. Claude G and Rouge were among the companies that touted copycat fragrances.

Among the successful perfumes was Max Factor's California, which uses Jaclyn Smith as a spokesperson. The firm recently introduced California For Men, which is likely to shift the order of the top traditional men's colognes and fragrances.

***Department upgrades** have helped full-line discounters capture an increased share of sales in 66 H&BA categories in 1990.* (DSN photos)

Health & Beauty Aids $6.58 Billion	
Full-Line Discounters	$6.58B
Catalog Showrooms	—
Specialty Discounters	—
Full-Line Discount Store Productivity	
Sales	$6.58B
Sales Per Store	$871,523
Dept. Size	3,300 Sq. Ft.
Sales Per Sq. Ft.	$264.10
Turns	5.5
Initial Markup	22.92%
Gross Margin	18.9%

Source: DSN research

Periodically, MILES Inc. offers performance discounts and allowances and/or other promotional funding for displaying, advertising and promoting our product lines. Point-of-sale and display materials, e.g., dump bins, channel strips, wags, etc., are available. These offers are practical and useable by all retailers regardless of size. Specific brands included are:

ALKA-SELTZER® FLAVORED ALKA-SELTZER®
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ALKA-SELTZER PLUS® Cold Medicine
ALKA-SELTZER PLUS® Night-Time Cold Medicine
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ANNUAL REPORT: PART II/TOYS

Preschool Category Grows at Discount Level

It's been a tumultuous year in the toy business, punctuated by a national recession, war, bankruptcies, acquisitions and the lack of a blockbuster toy.

Teenage Mutant Ninja Turtles action figures topped many retailers lists in 1990 as their biggest seller. And while action figures in general and the entire Ninja Turtle license continue to be strong at retail, they are no longer blockbusters.

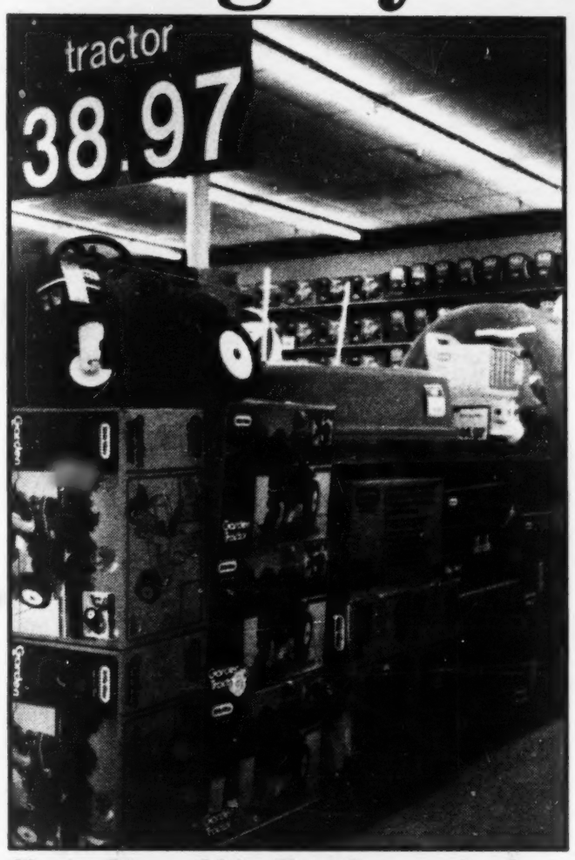
Neither is Nintendo, a perennial favorite.

By most accounts, 1990 and at least the first half of 1991 appear "off." Industry toy sales were flat last year, and sales and earnings for many retailers—including No. 1 Toys "R" Us—as well as manufacturers, continue to be depressed.

So far, no toy is emerging on the "must have" list of most families with children.

But things could change rapidly, particularly now that the tumult of the first half of the year is past. After all, the Christmas selling season is just four months away, and the Persian Gulf war and the recession are over. And, according to national statistics and independent economists reports, consumers are beginning to loosen their purse strings.

If introductions at the 1991 Toy Fair are any indication of what the year holds in store, the coming holiday season should be chock full of TV dolls, plush toys, board games, play sets, action figures, race cars and trading cards. Nintendo's 16-bit games should be available by the end of the year and some surprise winners like last year's Go Go My Walking Pup, may appear to spice things up.



Harts, Lima, Ohio: Toys for preschoolers, *like this tractor from Little Tikes, is an expanding category at discounters.* (DSN photo)

Toys $10.85 Billion	
Full-Line Discounters	$4.69B
Catalog Showrooms	$0.60B
Specialty Discounters	$5.56B
Full-Line Discount Store Productivity	
Sales	$4.69B
Sales Per Store	$621,192
Dept. Size	2,600 Sq. Ft.
Sales Per Sq. Ft.	$238.92
Turns	3.2
Initial Markup	33.84%
Gross Margin	26.7%

Source: DSN *research*

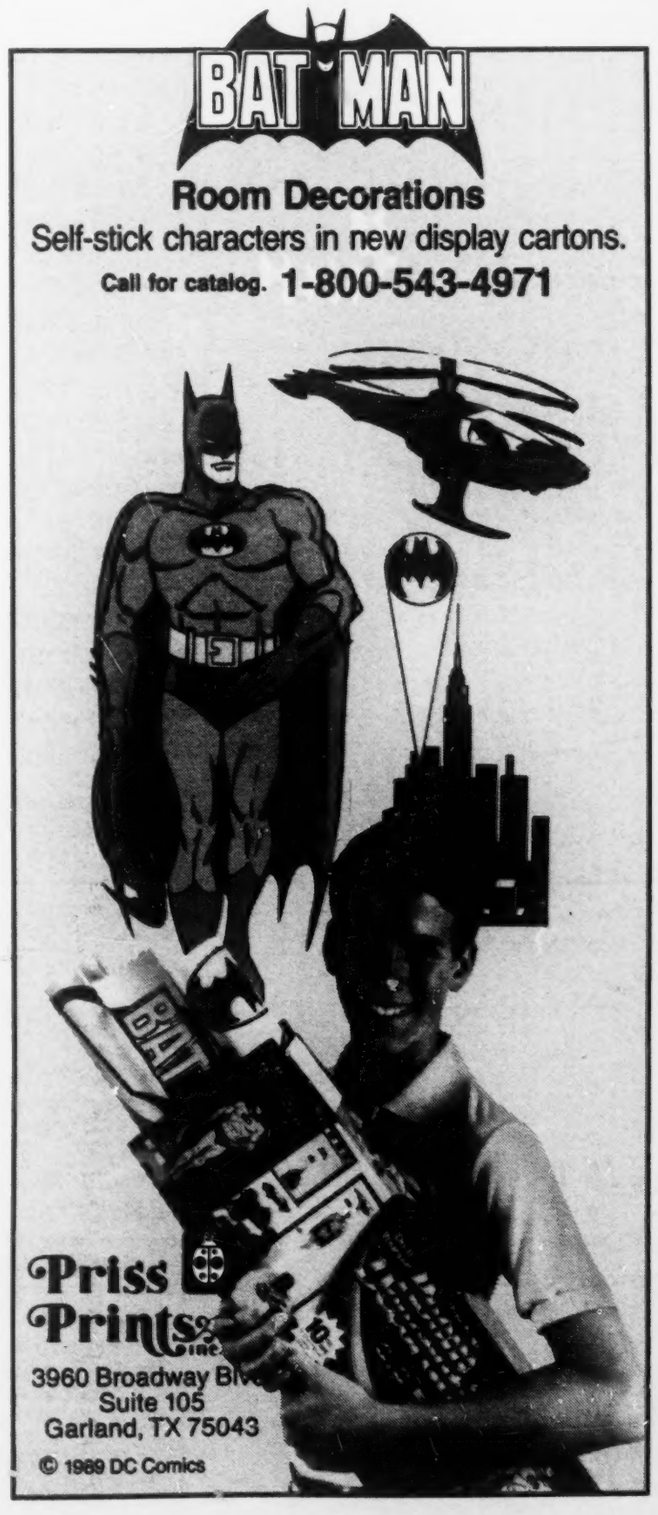
Radio-controlled cars and trucks, World Wrestling Federation toys, and various licensed goods bearing the monikers and images of Robin Hood, The Little Mermaid and The Rocketeer, could help charge the weary toy business this year, as could patriotic themes bearing the highlights of the Persian Gulf war.

Toys with environmental themes, such as Toxic Crusaders by Playmates and Swamp Thing by Kenner may also hit a nerve this year as recycling, conservation and environmental concerns permeate many households.

Dolls, especially popular during 1990, may find 1991 as receptive to their individual charms as they were a year ago. Already, the Baby Face collection by Galoob has found a ready audience, and Mattel is expanding on its popular Magic Nursery dolls with an extended line of products. Add to that Hasbro's Cabbage Patch collection and Mattel's Barbie line, plus a host of other introductions, and dolls could be a winner again in 1991.

The preschool category offers real opportunities for manufacturers and retailers alike, now that a baby boomlet is firmly in place. Kmart, for example, is seizing the moment with a greatly expanded selection of preschool toys, including a new 45-foot section by Little Tikes.

At Toy Fair, introductions and line expansions abounded in the preschool category, including electronics and computer-oriented toys by Playtime and Playskool. Lego, too, is focusing its attention this year on expanding the penetration of its Duplo line, chunky building blocks for little hands.



Walking Shoes, In-Line Skates Setting the Pace

For compelling evidence that aging baby boomers are, indeed, looking for less taxing alternatives to running and jogging, look no further than the 21% jump last year in sales of walking shoes.

With sales of an estimated $1.51 billion in 1990, walking shoes should rise 12% more in 1991, projects the National Sporting Goods Association in its annual retail sales survey.

Walking shoes thus scored the largest percentage gain last year of all 57 categories of sports apparel, athletic shoes and equipment the NSGA tracks and are projected to rise 12% more this year for the largest percentage gain in '91. Next to swimwear, walkers last year produced the largest dollar volume in the 31 categories of apparel and footwear, but swimwear declined 3% in 1990 to an estimated $1.78 billion and sales are projected to remain flat this year.

Bicycling, another low-impact aerobic alternative, retained its place as the dollar volume leader in equipment, gaining 7% to $2.42 billion from $2.26 billion in 1989. The NSGA survey projects a 5% gain for '91. Emphasizing the increasing importance of bikes, Supershow/91 added a special bike show of 20,000 square feet to its roster of 16 shows within a show.

In bicycles, mountain bikes virtually have taken over the mass market from conventional 10-speed bikes. With the majority of mountain bikes being ridden on city streets, despite their name, they represent about 80% of unit sales at some chains.

Firearms and hunting, after breaking the $2 billion mark in 1989, showed a respectable 7% gain to $2.29 billion in 1990, with projected gains slowing to 3% this year. Hunting apparel and boots added $1.1 billion more in sales last year.

Muzzle loaders and black powder accessories are a new firearms line that Sports Authority, Kmart's specialty sporting goods chain, added last year. Black powder and archery are the fastest growing categories for Sports Authority.

Another indication that firearms remain a solid category: attendance at the SHOT Show in Dallas this January rose 19%, while exhibit space gained 27% from 1990.

Exercise equipment produced modest sales growth of 2.7% last year to an estimated $1.8 billion, with a projected growth of 2% this year.

But within the category, in-line roller skates have shot from nowhere over the past two years and should generate sales of at least $150 million, or double the $75 million in 1990. Some estimates of 1991 sales go as high as $300 million. Retailers expect to sell at least 1 million units in 1991 as vendors scrambled to keep their shelves stocked.

Because of the phenomenal growth of in-line skates, which Rollerblade pioneered, the Sporting Goods Manufacturers Association plans to start tracking shipments as a separate category next year.

With the introduction of models that retail for as low as $38, in-line skates have burst onto the mass market scene.

Auguring well for the future of in-line skates, skaters are fairly evenly split between males, 51.5%, or 2.24 million, and females, 48.1%, or 2.07 million. And skaters are young, with only an estimated 9.4% ages 35 and older. Youngsters ages 12 through 17 provide the largest block of skaters, 31.3%.

Golf equipment, yet another low-impact alternative that's easier on knees and elbows, rose 3% to $1.2 billion in 1990, fourth in dollar volume after bikes, firearms and exercise equipment. Golf will increase by 4% in '91, the NSGA survey predicts.

(Continued on page 75)

Sporting Goods $6.50 Billion	
Full-Line Discounters	$4.00B
Catalog Showrooms	$0.60B
Specialty Discounters	$1.90B
Full-Line Discount Store Productivity	
Sales	$4.00B
Sales Per Store	$529,801
Dept. Size	2,550 Sq. Ft.
Sales Per Sq. Ft.	$207.77
Turns	2.4
Initial Markup	32.99%
Gross Margin	26.7%

Source: DSN research

If all your business needed was hardware products, you wouldn't need the National Hardware Show®

Anyone can stock up on hardlines and call themselves open for business. But not everyone can be successful at it.

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Brand Name Tires on Roll at Mass Merchants

Against the backdrop of emerging environmental issues and continued development of the automotives warehouse concept, U.S. branded tires have assumed a bigger merchandising role at discount and automotive specialty chains.

At the expense largely of independent tire dealers, warehouse clubs, for example, captured a 6% market share of replacement passenger tires in 1990, or 9.3 million tires, according to one estimate. In comparison, the market share for warehouse clubs was 3%, or 4.3 million units, just four years earlier.

Sam's Club, for instance, stocks Michelin, Pirelli and General national brands.

Last year, Kmart dropped its private label tires in favor of Uniroyal and Bridgestone. Kmart, however, continues to weed out marginal auto service centers, whittling the count down to about 1,050 out of some 2,350 stores.

In contrast, Wal-Mart is selectively adding auto service centers, with around 425 out of 1,600 stores offering auto service, including mounting General brand tires.

But the lack of general automotive service is no bar to the growing presence of general merchandise warehouse clubs, auto warehouse chains, such as Auto Parts Club, and hypermarkets, such as Carrefour, which offer auto service limited to tire mounting and balancing.

The advent of the automotives warehouse concept, with emphasis on auto service, also bolsters tire merchandising.

Although Auto Giant, which expected to be operating 14 warehouse units by year-end, is stalled at three units by a cash squeeze, the warehouse concept got a powerful boost last month when Canadian Tire Corp. opened the first outlets of its new Auto Source warehouse chain.

Armed with a $192 million tax loss carryforward from its failed White Auto Stores chain, CTC appears well equipped to carry through on plans to open 10 to 12 such units a year.

CTC's first Auto Source, Indianapolis, offers a massive presence in brand tires, Michelin, Firestone, B.F. Goodrich, Pirelli, Yokohama and Armstrong. It features tires on a mezzanine that runs around three sides of the 47,000-square-foot store.

And automotive warehouse chains, such as Auto Parts Club, which soon will be operating 10 units in California, Arizona and Texas, has become a major factor in tires.

In contrast to the trend toward auto supermarkets, Sears has shrunk the size of its prototype auto parts departments and service centers. As its new store in Freehold, N.J., illustrates, Sears has settled on continuing to offer full auto service but in 13 bays instead of 20. Auto parts and accessories, one of seven power departments for Sears, also must get by with less space.

Enter the environmental issue. At least 16 states—with nine more in line—require retailers to collect taxes or fees on tire sales and hand the money over for disposing of the mountains of junk tires that have piled up.

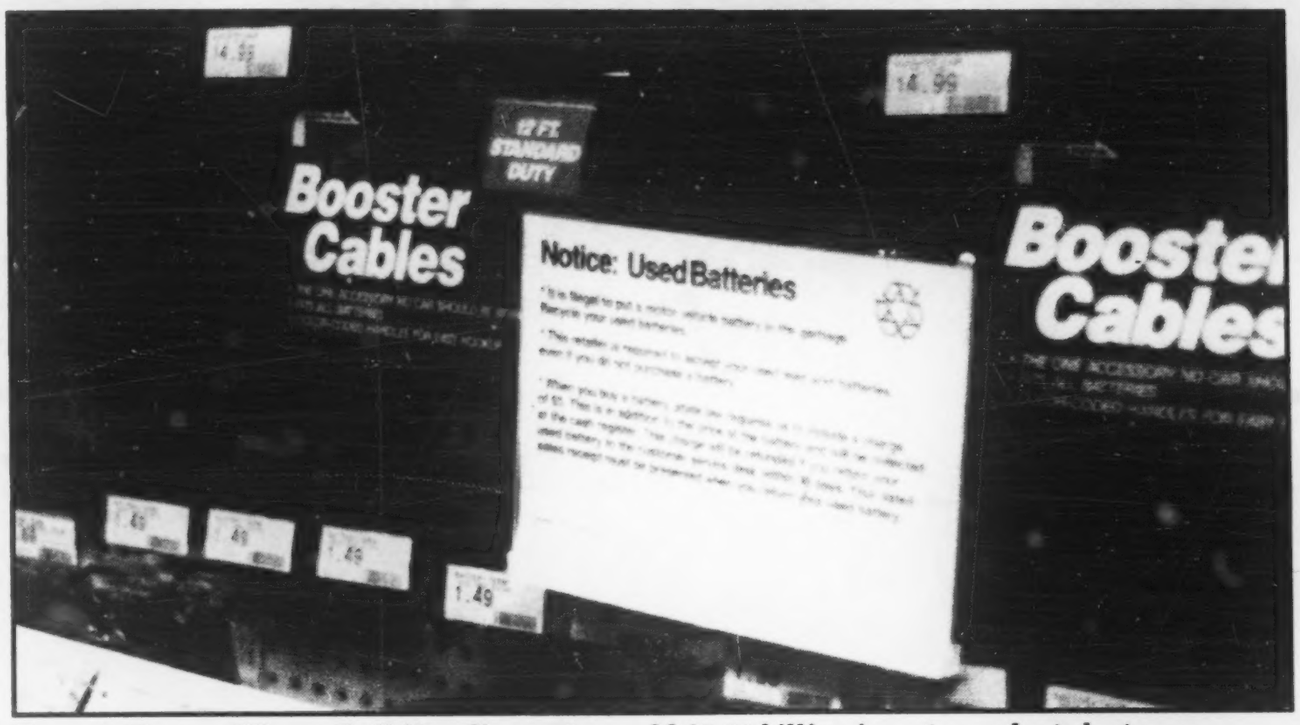
In addition to any state disposal tax, Pep Boys—Manny, Moe & Jack charges customers 50 cents a tire to cover its cost of disposing of their old tires. Pep Boys has completed its move away from its previous reliance on private label tires to stock Michelin, Bridgestone, Uniroyal, Goodyear and Futura.

As the number of corner service stations and discounter service centers continues to decline, auto service revenue for Pep Boys grew to 12.5% of its total in 1990 from 11.9% in 1989 and 10.6% in 1988.

Used motor oil recycling, however, threatens to have the most environmental impact. In anticipation of federal legislation, a number of chains have jumped into oil recycling. They include Chief Auto, which pioneered oil recycling, Advance Auto and Northern Automotive. In addition, Wal-Mart and AutoZone are testing it.

Although oil recycling costs about $100 a month per store, chain executives say the cost is minimal compared to the marketing edge it gives them in customer goodwill. As a bonus, one chain finds that it loses a little less on oil, a traditional loss leader, because its oil recycling program allows it to bump up margins.

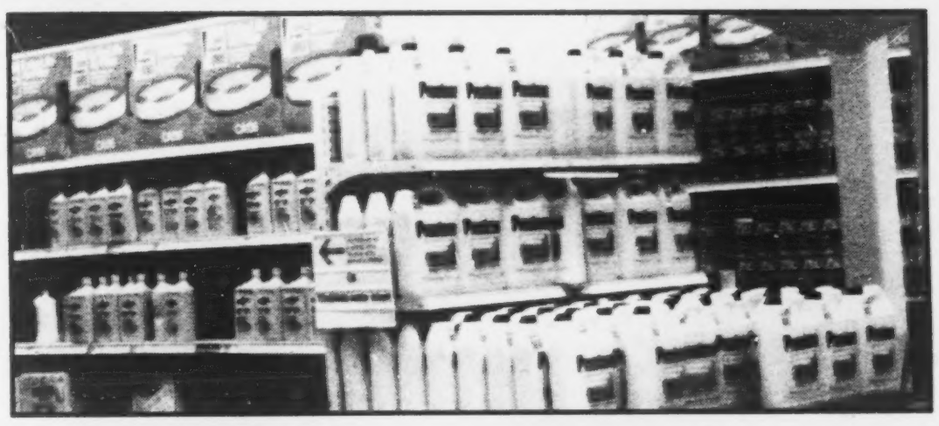
In another environmental impact on aftermarket merchandising, chains will have to stop selling small cans of Freon to DIY customers by November 1992 and start complying with coming federal regulations to prove they sell the ozone depleting air-conditioning gas only to professional installers. And as chains such as Kmart and Pep Boys already have started to do, all chains that service auto air conditioners will have to buy Freon recycling equipment by Jan. 1.



Target, Eagan, Minn.: Full-line discounters sold $5.76 billion in auto products last year.

Automotives $10.44 Billion	
Full-Line Discounters	$5.76B
Catalog Showrooms	$0.10B
Specialty Discounters	$4.58B
Full-Line Discount Store Productivity	
Sales	$5.76B
Sales Per Store	$762,914
Dept. Size	2,300 Sq. Ft.
Sales Per Sq. Ft.	$331.70
Turns	3.6
Initial Markup	30.41%
Gross Margin	24.2%

Source: DSN research



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DISCOUNT INDUSTRY ANNUAL REPORT: PART II

Home Products Category is Hot in Off Year

***Consumer electronics** is becoming more and more important, prompting retailers to upgrade their merchandise with more sophisticated goods.*

(Continued from page 37)

• Environmentally-friendly products and those that conserve energy and reduce waste are gaining importance in the hardware department at discounters.

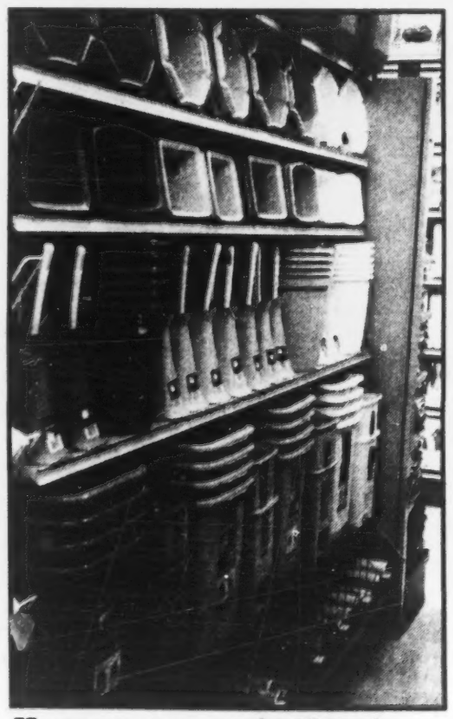
Products like mulching mowers, chippers, composting equipment, recycling bins, lawn chemicals and more energy-efficient light bulbs, particularly florescents and halogen for interior use and passive solar for outdoors, are bringing in a fair share of hardware department dollars these days.

Beyond that, a consolidation of vendors within the hardware department at discount stores, more brand name products, and more emphasis on simple do-it-yourself projects are the major trends coming into play in mass market hardware retailing.

• Like consumer electronics specialty chains, retailers were hampered by the recession and the lack of any truly new products in the market. But they seem to have used this period of inactivity to upgrade their selections and move into technologies that were thought to be too advanced for their customer base.

CE is rapidly becoming more and more important to full-line discounters. To wit, Kmart has installed a Sharp high-tech 100-inch projection television in at least one of its new stores, Wal-Mart is testing 150 Home Office departments and Fishers Big Wheel is among several chains re-accentuating the category.

In place of the more commonplace array of off-brand boomboxes, inexpensive color televisions and cheap telephones, discounters today are making their money in relatively sophisticated areas, including pcs, video software, fax machines, personal printers, compact disc players and full-feature telephones to build traffic, consumer loyalty and, of course, sales.



***Housewares** and other home product categories will generate $26.7 billion this year.* (DSN photos)

• Discounters continued increasing market share for H&BA products in 1990 and are picking up pace in the category at some expense to drug stores.

Full-line discounters won points by offering variety and improving the look of the department and by increasing space. To some degree, discounters also upgraded their merchandise mix. Perhaps the boldest example was Wal-Mart's offering of Estee Lauder products. The department store brand was displayed in a counter case at one of the newer Wal-Mart prototypes.

• So far no toy is emerging on a "must have" list of most families with children.

But things could change rapidly, particularly now that the tumult of the first half of the year is past. The Christmas selling season is just four months away, and the Persian Gulf war and the recession are over. And, according to national statistics and independent economists, consumers are beginning to loosen their purse strings.

If introductions at the 1991 Toy Fair are any indication of what the year holds in store, the coming holiday season should be chock full of TV dolls, plush toys, board games, play sets, action figures, race cars and trading cards. Nintendo's 16-bit games should be available by the end of the year and some surprise winners like last year's Go Go My Walking Pup, may appear to spice things up.

Soft Lines Sales Leaders

Chain	Soft Lines Sales (In Millions)
Kmart	$8,670
Wal-Mart	7,547
Sears	6,596
Target	3,272
Marshalls	1,921
T.J. Maxx	1,520
Hills	1,070
Burlington Coat Factory	892
Fred Meyer	818
Ross Stores	804
Bradlees	797
Kids "R" Us	580
Caldor	565
Venture	540
Rose's	458
Herman's	422

Source: DSN research

Store Productivity Leaders

Chain	1990 Sales (In Millions)	Sales Per Store (In Millions)
BrandsMart USA	$134	$134.0
Tops Appliances	380	126.6
Bigg's	350	87.5
Carrefour	84	84.0
Price Club	5,300	80.3
Fedco	701	77.8
American Fare	200	66.6
Costco	4,100	59.4
Wal-Mart SuperCenter	530	58.8
Meijer	3,000	52.6
Price Savers	850	50.0
Ann & Hope	300	50.0
Twin Valu	100	50.0
J & R Music World	95	47.5
Sam's	6,579	44.4
BJ's Wholesale Club	1,150	42.5
Alexander's	460	38.3
Auchan	75	37.5

Source: DSN research

Getting a Facelift in 1991

Chain	Total Store Count	No. of Stores To Be Remodeled
Kmart	2,205	500
Silo	235	50
Dollar General	1,461	35
Chief Auto	518	30
Newmark & Lewis	98	20
Costco	69	20
Quality Stores	63	20
Bill's Dollar Stores	555	18
Bradlees	130	17
Office Depot	122	15
Luskin's	34	15
Oshman's	190	12
Caldor	122	12
Best Buy	58	10
Burlington Coat	159	8

Source: DSN research

POS Leaders

Chain	1991 Store Count	No. of Stores With Scanning
Kmart	2,205	2,200
Wal-Mart	1,573	1,573
Sears	863	863
Northern Auto	850	850
AutoZone	553	553
Western Auto	520	520
Chief Auto	518	518
Dress Barn	502	502
Ames	455	455
Toys "R" Us	451	451
Target	420	420
Marshalls	386	386
Pep Boys	313	313
WSR Group	299	280
Champs	251	202
Circuit City	192	192
Ross Stores	185	185
Oshman's	190	190
Rose's	256	180
Kids "R" Us	164	164

Source: DSN research

DISCOUNT INDUSTRY ANNUAL REPORT: PART II

Wal-Mart Passes Kmart As Largest Discounter

We all knew it would happen, and it did. Last year Wal-Mart stores took the lead over Kmart as the largest U.S. discounter. The giant had already passed Kmart as the profit leader back in 1989, when Kmart had suffered an 8.2% drop in profits and Wal-Mart's profits had surged by 16% over the previous year.

The sales success is especially notable in light of the relative size of the two chains; Wal-Mart, with 1,573 units at the end of 1990 was operating almost 30% fewer stores than Kmart, which had 2,205 locations.

Can Wal-Mart sustain this dominance as its store count rises and its market terrain extends into the strained economy of the Northeast? Through the years, Wal-Mart has put numerous management information systems in place to prevent headquarters and the well-orchestrated distribution pipeline from losing touch with the pulse of store operations and the Wal-Mart customer.

Kmart is still the largest chain when measured by store count and selling space, and is likely to keep this lead unless there is a major merger or a sudden need for it to close stores.

Projected store counts for the start of 1992 indicate that some of the larger chains are beginning to run out of suitable markets for expansion, while others have decided to focus on improving their existing store base during the fragile economic conditions of the early '90s. The exception among the larger chains is Wal-Mart, which reportedly plans to open 200 stores during the current calendar year, substantially higher than other store count leaders such as Kmart at 60 stores, Dollar General at 15 units and Kay-Bee at 10 locations.

Last year was a difficult year to achieve operating profits. The top listing is littered with chains reporting declines in operating income as steep as 37% at Hills and nearly 20% at longtime consumer electronics leader, Circuit City.

The major bottom line success stories during 1990 included discounter Fred Meyer, which soared from earnings under $1 million in 1989 to operating profits in excess of $67 million in 1990. Television retailer Home Shopping Network upped operating profits seven-fold; and two warehouse club operators, Costco and Wal-Mart's Sam's Club division reported profit increases of 68% and 31%, respectively.

Sales Volume Leaders

Chain	Code	Sales (In Millions) 1990	1989	1988	% Change '89-'90
Wal-Mart	DDS	$25,156	$20,702	$16,820	21.5
Kmart	DDS	24,772	24,406	22,940	1.5
Sears	SMR	19,400	19,500	NA	(0.5)
Target	DDS	8,180	7,520	6,331	8.8
Sam's	CLUB	6,579	4,841	3,829	35.9
Price Club	CLUB	5,300	4,900	4,053	8.2
Montgomery Ward	SMR	5,128	5,028	4,865	2.0
Toys "R" Us	TOY	4,180	3,640	3,647	14.8
Costco	CLUB	4,100	2,900	1,989	41.4
Service Merchandise	CAT	3,400	3,300	3,093	3.0
Ames	DDS	3,100	4,800	3,363	(35.4)
Meijer	HYPER	3,000	2,800	2,500	7.1
Fred Meyer	DDS	2,480	2,284	2,070	8.6
Circuit City	CE	2,380	2,100	1,721	13.3
Pace	CLUB	2,295	1,700	1,271	35.0
Marshalls	APP	2,183	1,939	1,753	12.6
Hills	DDS	2,140	2,075	1,670	3.1
T.J. Maxx	APP	1,900	1,700	1,500	11.8
Best Products	CAT	1,800	2,100	2,048	(14.3)
Bradlees	DDS	1,771	1,751	2,107	1.1

NA: Not available
( ) Loss
Source: DSN research

Store Count Leaders

Chain	Code	Number of Stores 1/91	1/90	1/89	Proj. 1/92
Kmart	DDS	2,205	2,194	2,105	2,265
Family Dollar	DOLLAR	1,755	1,680	1,350	NA
Wal-Mart	DDS	1,573	1,402	1,114	1,733
Dollar General	DOLLAR	1,461	1,378	1,302	1,476
Kay-Bee	TOY	1,116	777	676	1,126
Sears	SMR	863	847	NA	878
Northern Automotive	AUTO	850	828	478	825
Hit or Miss	APP	574	546	485	579
Bill's Dollar Stores	DOLLAR	555	500	340	555
AutoZone	AUTO	553	520	396	593
Chief Auto Parts	AUTO	518	503	465	535
Western Auto	AUTO	504	468	394	544
Dress Barn	APP	502	436	302	577
Ames	DDS	455	682	488	455
Toys "R" Us	TOY	451	404	350	498
Target	DDS	420	401	317	463
T.J. Maxx	APP	393	352	265	438
Marshalls	APP	386	347	286	411
Clothestime	APP	384	332	338	399
Service Merchandise	CAT	346	334	309	361

NA: Not Available
Source: DSN research

Selling Space Leaders

Chain	Code	Number of Stores 1/91	Proj. 1/92	Average Store Size (In 000 Sq. Ft.)	Total Footage (In 000 Sq. Ft.)
Kmart	DDS	2,205	2,265	65	143,325
Wal-Mart	DDS	1,573	1,733	71	111,683
Ames	DDS	455	455	80	36,400
Target	DDS	420	463	99	41,580
Montgomery Ward	SMR	343	NA	66	22,638
Toys "R" Us	TOY	451	498	46	20,746
Hills	DDS	214	154	82	17,548
Service Merchandise	CAT	346	361	50	17,300
Fred Meyer	DDS	120	122	129	15,480
Chief Auto Parts	AUTO	518	535	32	16,576
Pay Less NW	DRUG	321	355	52	16,692
Sam's	CLUB	148	185	115	17,020
Family Dollar	DOLLAR	1,755	NA	7	12,285
Meijer	HYPER	57	62	200	11,400
Rose's	DDS	256	237	43	11,008
Caldor	DDS	122	126	90	10,980
Marshalls	APP	386	411	30	11,580
Best Products	CAT	195	171	50	9,750
Bradlees	DDS	130	130	72	9,360
T.J. Maxx	APP	393	438	25	9,825

NA: Not Available
Source: DSN research

Profit Leaders

Chain	Code	Sales (In Millions) 1990	Earnings[1] (Loss) (In Millions) 1990	1989	Earnings Percent Change
Wal-Mart	DDS	$25,156	$1,872.0	$1,677.0	11.63%
Kmart	DDS	24,772	1,307.0	1,314.0	(0.53)
Target	DDS	8,180	466.0	449.0	3.79
Toys "R" Us	TOY	4,180	438.9	455.7	(3.69)
Service Merchandise	CAT	3,400	224.4	212.8	5.45
Price Club	CLUB	5,300	199.4	181.5	9.86
Sam's	CLUB	6,579	170.0	130.0	30.77
Marshalls	APP	2,183	165.0	167.0	(1.20)
T.J. Maxx	APP	1,900	161.0	140.0	15.00
Montgomery Ward	SMR	5,128	153.0	151.0	1.32
Costco	CLUB	4,100	93.0	55.5	67.57
ShopKo	DDS	1,737	92.3	86.3	6.95
Circuit City	CE	2,380	91.4	113.8	(19.68)
Caldor	DDS	1,766	79.6	63.5	25.35
Pay Less NW	DRUG	1,642	79.0	72.0	9.72
Pep Boys	AUTO	885	77.4	69.0	12.17
Home Shopping Network	ELE	1,008	74.7	9.2	711.96
Hills	DDS	2,140	67.7	108.1	(37.37)
Fred Meyer	DDS	2,480	67.5	0.8	8,337.50
Bradlees	DDS	1,771	62.0	55.0	12.73

[1]Earnings: Operating income (profit/loss from continuing operations, before taxes and extraordinary items), unless otherwise indicated.
( ) Loss
Source: DSN research

DISCOUNT INDUSTRY ANNUAL REPORT: PART II

Office Superstores Post Largest Sales Increases

Office superstores comprised nearly half of the list of chains reporting the largest percentage increases in sales during 1990.

Full-line discount department stores were glaringly absent from the top percentage sales gainers. The retail market is, however, open to category killers like Sports Unlimited at one end of the spectrum, and at the other end, merchandise generalists that offer one-stop shopping for food and all general merchandise categories like American Fare and Wal-Mart's SuperCenters, based on the leading sales percentage change listing.

Nonetheless, more mature formats like full-line discounters, catalog showrooms and dollar stores were among retailing's top profit gainers. Venture, Target, Caldor, Family Dollar, Service Merchandise and Bradlees reported some of the best operating improvements by focusing on their individual strengths.

At Family Dollar, for instance, it was the development of extensive high-margin private label programs and zone pricing that led to a profits surge. At Caldor, a facelift to existing stores including a new color scheme and logo led to both a 13% increase in sales and a 25% jump in profits.

The enviable sales percentage growth of the office superstores were fueled primarily by new store openings. In contrast, full-line discounters like Target, Kmart and Venture, were clearly generating the lion's share of their sales gains by improving operations at existing stores, based on their presence on the dollar sales growth listing and their absence from the top store count growth roster.

Regional chains struggling with competition from national retailers could benefit from studying Venture. The regional full-line discounter came close to tripling its operating income last year, despite sharing markets with Kmart, Wal-Mart and Target. Venture, with only a fraction of Kmart's 2,205 units, actually surpassed Kmart, and other significantly larger retailers in terms of its dollar sales growth last year.

Caldor and Bradlees can expect Wal-Mart to be at their doorstep, probably within the next year. No other regional discount store chains—with the exception of a handful of other Northeast companies like Ann & Hope and Stuarts—have been as insulated from national chain competition.

Top Chains in Dollar Sales Growth

Chain	Code	Sales (In Millions) 1990	Sales (In Millions) 1989	% Change	Sales Growth (In Millions)
Wal-Mart	DDS	$25,156	$20,702	21.5%	$4,454
Sam's	CLUB	6,579	4,841	35.9	1,738
Costco	CLUB	4,100	2,900	41.4	1,200
Target	DDS	8,180	7,520	8.8	660
Pace	CLUB	2,295	1,700	35.0	595
Toys "R" Us	TOY	4,180	3,640	14.8	540
Price Club	CLUB	5,300	4,900	8.2	400
Venture	DDS	1,420	1,045	35.9	375
Kmart[1]	DDS	24,772	24,406	1.5	366
QVC Network	ELE	776	453	71.2	323
Office Depot	OFFICE	626	314	99.4	312
Wal-Mart SuperCenter	HYPER	530	220	140.9	310
Circuit City	CE	2,380	2,100	13.3	280
Marshalls	APP	2,183	1,939	12.6	244
Home Shopping Network	ELE	1,008	774	30.2	234
Kay-Bee	TOY	927	724	28.1	203
Meijer	HYPER	3,000	2,800	7.1	200
T.J. Maxx	APP	1,900	1,700	11.8	200
Caldor	DDS	1,766	1,567	12.7	199
Fred Meyer	DDS	2,480	2,284	8.6	196

[1]Kmart: U.S. Kmart stores only; Sales include 49% of Meldisco footwear departments. Source: DSN research

Top Chains in Percentage Sales Growth

Chain	Code	Sales (In Millions) 1990	1989	1988	% Change '89-'90
OW Office Warehouse	OFFICE	$ 80	$ 23	$ 0	250.2%
Office Max	OFFICE	200	65	15	207.7
American Fare	HYPER	200	80	0	150.0
Wal-Mart SuperCenter	HYPER	530	220	80	140.9
Office Depot	OFFICE	626	314	132	99.4
BizMart	OFFICE	259	133	34	94.7
HQ Office Supplies	OFFICE	74	39	0	93.2
Office Club	OFFICE	281	147	51	91.2
Sports Unlimited	SPORT	112	59	45	89.8
QVC Network	ELE	776	453	NA	71.2
Twin Valu	HYPER	100	60	0	66.7
Staples	OFFICE	299	182	98	64.1
Newmark & Lewis	CE	400	246	238	62.6
Sports Authority	SPORT	105	65	40	61.5
The Good Guys	CE	294	195	149	50.8
Auchan	HYPER	75	50	5	50.0
Champs Sports	SPORT	170	120	88	41.7
Costco	CLUB	4,100	2,900	1,989	41.4
One Price Clothing Stores	APP	110	79	64	39.2
Academy	SPORT	135	97	82	39.2

NA: Not Available. Source: DSN research

Top Chains in Store Count Growth

Chain	Code	Number of Stores 1/89	1/90	Proj. 1/91	Number of New Stores in 1990
Kay-Bee	TOY	777	1,116	1,126	339
Wal-Mart	DDS	1,402	1,573	1,733	171
Dollar General	DOLLAR	1,378	1,461	1,476	83
Family Dollar	DOLLAR	1,680	1,755	NA	75
One Price Clothing Stores	APP	225	295	360	70
Dress Barn	APP	436	502	577	66
Office Depot	OFFICE	67	122	162	55
Bill's Dollar Stores	DOLLAR	500	555	555	55
Champs Sports	SPORT	197	251	337	54
Clothestime	APP	332	384	399	52
Newmark & Lewis	CE	50	98	105	48
Toys "R" Us	TOY	404	451	498	47
T.J. Maxx	APP	352	393	438	41
Marshalls	APP	347	386	411	39
Office Max	OFFICE	11	48	100	37
Western Auto	AUTO	468	504	544	36
Staples	OFFICE	38	74	120	36
AutoZone	AUTO	520	553	593	33
Pep Boys	AUTO	281	313	344	32
Pace	CLUB	47	78	94	31

NA: Not Available. Source: DSN research

Top Chains in Dollar Earnings Growth

Chain	Code	Earnings[1] (In Millions) 1990	1989	% Change	Earnings Growth (In Millions)
Wal-Mart	DDS	$1,872.0	$1,677.0	11.6	$195.0
Fred Meyer	DDS	67.5	0.8	8,337.5	66.7
Home Shopping Network	ELE	74.7	9.2	712.0	65.5
Sam's	CLUB	170.0	130.0	30.8	40.0
Costco	CLUB	93.0	55.5	67.6	37.5
Venture[2]	DDS	53.8	17.9	200.6	35.9
AutoZone	AUTO	49.3	24.9	98.0	24.4
T.J. Maxx	APP	161.0	140.0	15.0	21.0
Price Club	CLUB	199.4	181.5	9.9	17.9
Target	DDS	466.0	449.0	3.8	17.0
Caldor	DDS	79.6	63.5	25.4	16.1
Family Dollar[3]	DOLLAR	47.6	35.1	35.6	12.5
Service Merchandise	CAT	224.4	212.8	5.5	11.6
Kids "R" Us	APP	29.0	20.0	45.0	9.0
Office Depot	OFFICE	15.8	7.3	116.4	8.5
Pep Boys	AUTO	77.4	69.0	12.2	8.4
QVC Network	ELE	30.0	22.0	36.4	8.0
Bradlees	DDS	62.0	55.0	12.7	7.0
Pay Less NW	DRUG	79.0	72.0	9.7	7.0
Filene's Basement[4]	APP	12.3	5.5	123.6	6.8

[1]Earnings: Operating income (profit/loss from continuing operations, before taxes and extraordinary items), unless otherwise indicated.
[2]Venture: Earnings represent income before taxes; operating profits were $67.6 million in 1990 and an adjusted $67.2 million in 1989.
[3]Family Dollar: Earnings are for fiscal year ended Aug. 31.
[4]Filene's Basement: Earnings represent net income. Source: DSN research

DISCOUNT INDUSTRY ANNUAL REPORT: PART II

Discount Stores by Region and State[1]

Region/State	Discount Dept. Stores[2]	SMR[3]	Catalogers	Clubs	Total	Top 2 Leading Chains By Region, State			
New England	453	54	73	16	596	Ames	129	Bradlees	76
Connecticut	108	10	14	4	136	Caldor	30	Bradlees	27
Massachusetts	192	21	38	5	256	Ames	43	Bradlees	37
Maine	52	8	7	4	71	Ames	29	Kmart/Sears	8
New Hampshire	59	9	7	1	76	Ames	23	Kmart	10
Rhode Island	24	4	6	2	36	Ames	13	Kmart	5
Vermont	18	2	1	0	21	Ames	13	Kmart	3
South Atlantic	1,361	221	295	78	1,955	Kmart	466	Wal-Mart	332
Delaware	26	4	4	1	35	Ames	10	Roses/Jamesway	5
Florida	304	67	100	33	504	Kmart	159	Wal-Mart	119
Georgia	206	23	20	13	262	Kmart	82	Wal-Mart	80
Maryland	100	34	39	10	183	Ames	40	Kmart	32
North Carolina	290	27	54	9	380	Rose's	115	Kmart	77
South Carolina	124	14	21	4	163	Wal-Mart	48	Kmart	44
Virginia	208	38	45	7	298	Rose's	54	Kmart	53
Washington, D.C.	1	2	2	0	5	Sears	2	W. Bell & Co.	2
West Virginia	102	12	10	1	125	L.A. Joe's	36	Ames	16
East North Central	1,427	218	179	77	1,901	Kmart	502	Wal-Mart	206
Illinois	282	78	50	15	425	Kmart	102	Wal-Mart	82
Indiana	233	32	27	14	306	Kmart	81	Wal-Mart	49
Michigan	306	39	42	18	405	Kmart	126	Meijer	46
Ohio	422	48	53	22	545	Kmart	127	Hills	40
Wisconsin	184	21	7	8	220	Kmart	60	ShopKo	36
East South Central	637	64	81	19	801	Wal-Mart	286	Kmart	181
Alabama	175	17	19	5	216	Wal-Mart	79	Kmart	45
Kentucky	168	13	11	5	197	Wal-Mart	65	Kmart	50
Mississippi	106	11	15	2	134	Wal-Mart	57	Kmart	20
Tennessee	188	23	36	7	254	Wal-Mart	85	Kmart	66
Mid-Atlantic	885	137	257	30	1,309	Kmart	220	Ames	161
New Jersey	155	20	52	7	234	Kmart	45	Jamesway	33
New York	375	60	121	11	567	Ames	92	Kmart	62
Pennsylvania	355	57	84	12	508	Kmart	111	Ames	61
West South Central	892	153	101	58	1,204	Wal-Mart	474	Kmart	231
Arkansas	108	11	5	4	128	Wal-Mart	78	Kmart	18
Louisiana	130	20	24	10	184	Wal-Mart	76	Kmart	40
Oklahoma	128	18	8	7	161	Wal-Mart	85	Kmart	17
Texas	526	104	64	37	731	Wal-Mart	235	Kmart	156
West North Central	758	100	47	26	931	Wal-Mart	228	Kmart	194
Iowa	150	20	4	3	177	Pamida	39	Wal-Mart	38
Kansas	110	17	7	3	137	Wal-Mart	41	Kmart	27
Minnesota	139	23	8	7	177	Kmart	44	Pamida	42
Missouri	190	23	19	9	241	Wal-Mart	110	Kmart	44
Nebraska	87	10	3	2	102	Kmart	19	ALCO	16
North Dakota	35	5	3	1	44	Kmart	12	Wal-Mart	7
South Dakota	47	2	3	1	53	Kmart	12	Pamida	11
Mountain	384	80	55	32	551	Kmart	157	Wal-Mart	77
Arizona	90	18	11	11	130	Kmart	32	Wal-Mart	22
Colorado	70	25	16	12	123	Kmart	34	Wal-Mart	20
Idaho	25	8	6	1	40	Kmart	12	Sears/ShopKo	7
Montana	30	5	4	0	39	Kmart	13	Pamida	7
Wyoming	40	3	1	0	44	Kmart	11	Target	5
Nevada	21	7	3	2	33	Kmart	22	Wal-Mart	21
New Mexico	58	10	10	1	79	Kmart	20	Fred Meyer	13
Utah	50	4	4	5	63	Pamida	15	Kmart	10
Pacific	531	170	75	97	873	Kmart	233	Sears	106
Alaska	5	1	2	2	10	Fred Meyer	5	Capital Jewely	2
California	294	124	56	77	551	Kmart	176	Target	82
Hawaii	8	6	0	1	15	Sears	6	Gem of Hawaii	5
Oregon	123	15	5	5	148	Fred Meyer	41	Bi-Mart	38
Washington	101	24	12	12	149	Kmart	33	Fred Meyer	29
Puerto Rico	12	7	0	0	19	Kmart	12	Sears	7
Total:	**7,340**	**1,204**	**1,163**	**433**	**10,140**				

[1]Total numbers may vary slightly depending up frequent openings and closing during the year.
[2]Chart excludes 3,838 dollar discount stores, 91 closeouters and 113 hypermarkets.
[3]SMR—Specialty Mass Retailer
(See story, page 72)

Source: Discount Store News/Chain Store Guides

DISCOUNT INDUSTRY ANNUAL REPORT: PART II

Southeast Leads In Number Of Discount Stores

The Southeastern U.S. leads other regions in number of discount stores and has the largest concentration of Sears and Wards.

The Southeastern United States had the greatest concentration of stores in the discount industry last year with 1,955 units. It also is the region with the most Sears and Montgomery Ward stores, 221.

Sears and Montgomery Ward, historically partnered with JCPenney as the "Big Three" general merchandisers, have transformed themselves into name brand discounters. Accordingly, *Discount Store News* now lists both Sears and Montgomery Ward on *Discount Store News*' Top 150 list of discount retailers. The two chains, which have been reclassified as Specialty Mass Retailers (SMR), contributed 1,204 stores to the United States retail landscape, their heaviest concentration being in the Southeast, consisting of eight states and Washington, D.C.

By state, California has the most specialty mass retail outlets, 124, and Alaska, the least, a lone Sears outlet. Sears also is the dominant discount industry leader by unit count in both Hawaii and Washington, D.C.

Separately, California has the most warehouse clubs, 77, Texas, the most discount department stores, 526, and New York the most catalog showrooms, 121.

Overall, there were 10,140 full-line discount retail outlets in operation in 1990 including 7,340 discount department stores, 1,204 specialty mass retailer units, 1,163 catalog showrooms, and 433 warehouse clubs.

Despite the troubles many catalogers are undergoing now, in 1990 the number of showrooms increased by 143 units, mostly the result of increases by the strongest operators. The scenario should be substantially altered on next year's census to reflect the great number of 1991 store closings.

The warehouse club sector recorded a fairly prosperous 1990 with respect to overall store count. The country absorbed an additional 59 clubs during 1990, despite the demise of such chain names as Makro, The Wholesale Club as well as Price Savers.

Kmart Dominates Six Areas

By region, Kmart dominated six areas of the country (including Puerto Rico) with its store base, down one from 1989, but was second fiddle in three regions, up one from the year-earlier census.

Wal-Mart, with its ever-growing base of stores, dominated three regions of the country, up one region—North West Central—and was second in three regions, down one—North West Central—from the 1989 census.

Ames, with its declining store base, was the dominant retailer in one region, New England, and was second in the Mid-Atlantic, the same results as in last year's census.

Geographic Penetration

Chain	No. of States With Stores
Kay-Bee	50
Sears	50
Kmart	48
Toys "R" Us	44
T.J. Maxx	44
Marshalls	39
Montgomery Ward	39
Service Merchandise	37
Herman's	37
Burlington Coat	36
Hit or Miss	35
Sam's	35
Wal-Mart	34
Toy Liquidators	33
Target	32
Dress Barn	31
Family Dollar	28
Best Products	27
Child World	27
Kids "R" Us	27

Source: DSN research

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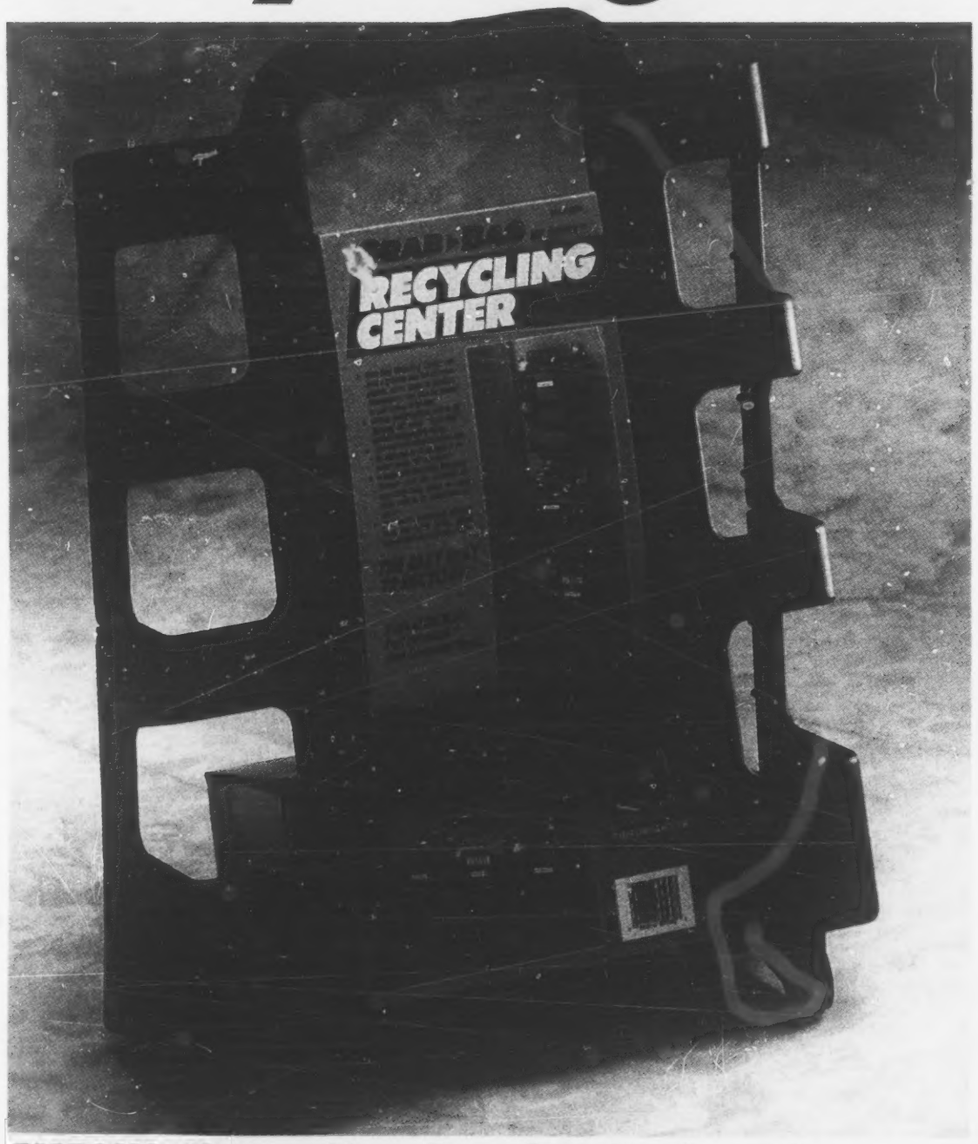

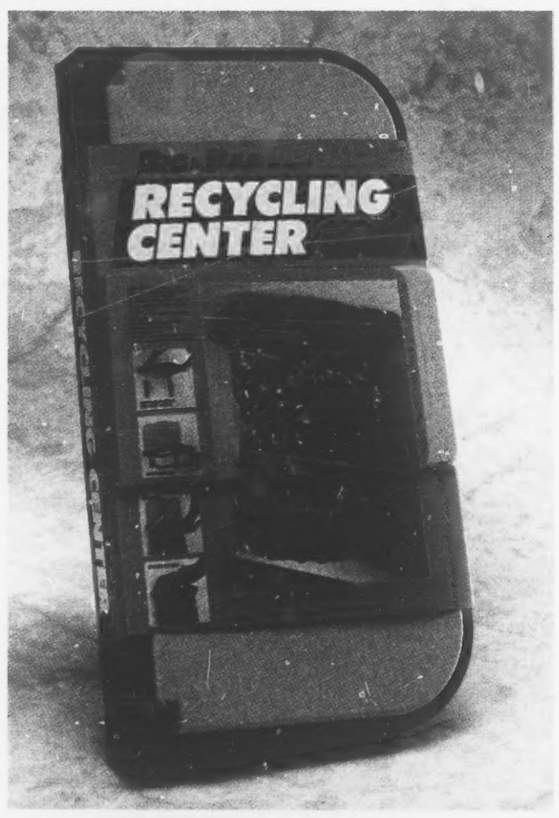

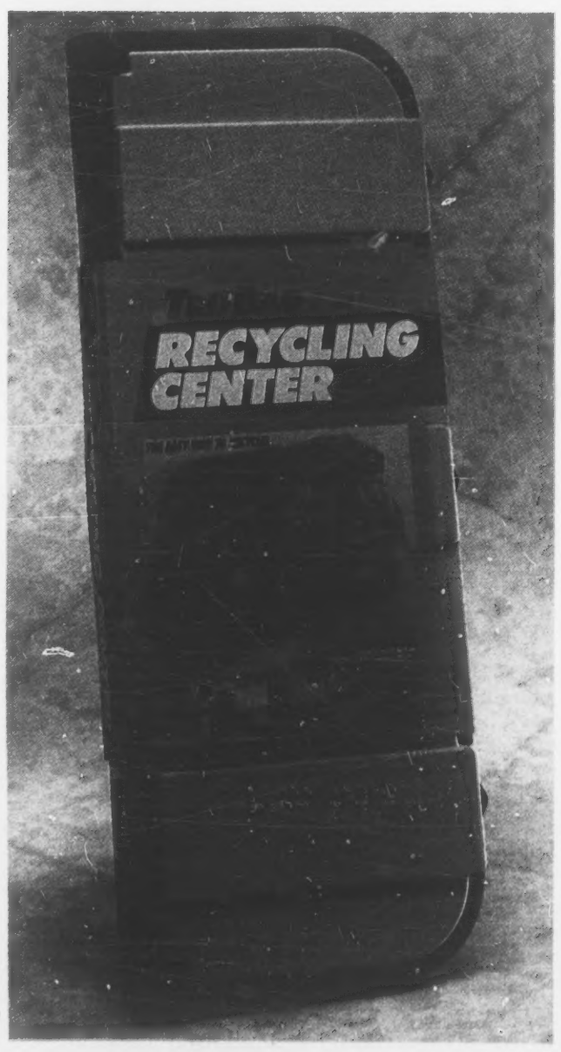

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DISCOUNT INDUSTRY ANNUAL REPORT: PART II

Discounters Moving Toward TV 'Imaging'

(Continued from page 46)
only to drug outlets, and nearly 40% of all still cameras sold. And, photofinishing, particularly of the one-hour sort, is becoming an even more important part of the mix, not only for its excellent margins, but also for its ability to pull consumers into the store on a regular basis. Ames, for one, has accentuated that business, reporting success in drawing shoppers. Wal-Mart, in its latest prototypes, includes a one-hour Fuji lab.

However, the age of the camcorder is rapidly drawing near. According to the Photo Marketing Association, nearly one-third of imaging devices purchased for personal use last year were camcorders, of which over nearly one-half were 8mm camcorders. Among wealthier consumers, camcorders are now second only to 35mm cameras in household penetration, and in households with young children, camcorders come in a very close second to 35mm, and average household expenditure for hardware was $437. That trend can be expected to continue.

Discounters, never pioneers in technology, are only slowly moving into the camcorder market, although most now stock 8mm tape. Discounters sold only 8.4% of VHS and a miniscule 2.9% of 8mm units. The much smaller catalog showroom industry accounted for 10.2% and 5.9%, for comparison. However, as the price point of compact camcorders continues to decline to roughly $500 and as they get increasingly easy-to-use, look for discounters to jump into this market full force.

'Green' Nails Hardware Area

(Continued from page 53)
A year ago, Sears made a similar move to recast its hardware department into a power department. While the move kept Craftsman tools and garden products and Weatherbeater and Easy Living paints dominant in the department, other name brand items were added to appeal to customers.

Also last year, Target dropped its private label paint and gave Glidden an exclusive on its paint business, and Wal-Mart made some alterations in its hardware business. Wal-Mart added a 10-item Diamond line of pliers and adjustables wrenches from Triangle Tool. Prior to that, Wal-Mart added Stanley saws and hammers.

Vendor consolidation is on the rise. Most recently, Newell, a giant home products maker whose brands include EZ Paintr, is attempting to purchase an interest in Stanley Works, the hardware/hand tool manufacturer.

CE Departments Rise at Discount

(Continued from page 50)
specialists. They include digital compact cassette, Sony's Mini-Disc and even HDTV. All of these are relatively simple and straightforward products that can virtually sell themselves, which make them ideal for discounters.

The discount industry as a whole has made enormous strides in offering consumers an easy-to-shop environment for consumer electronics. Most major discounters, including Ames, Kmart, Wal-Mart and Target, now have manned departments, and generally better-trained employees work there. With the new wide aisles, upgraded merchandise and at least a modicum of service, discounters are no longer obviously poor cousins of the CE chains.

And as formerly high-tech products like computers and copiers enter the mainstream of the American marketplace, discounters will play an increasingly important role in bringing them to market.

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Top Execs Escape Intense Scrutiny Over Pay—So Far

(Continued from page 1)
past decade has spilled over to Congress, where companion bills are pending in both the Senate and House to strengthen the hand of shareholders' in determining how companies set executive pay.

The Corporate Pay Responsibility Act, introduced by Sen. Carl Leven (D.-Mich) and Rep. John Bryant (D.-Texas), would address some structural problems noted by shareholder groups by changing Securities and Exchange Commission regulations to:

- Allow shareholders to vote on proposals recommending changes in how companies set executive pay;
- Require companies to provide clear and simple disclosure of pay packages;
- Permit stockholders holding a minimum of $1 million or 3% of a company's stock to nominate directors and include them in the proxy statement and ballot;
- Provide confidential voting of proxies and SEC backing for stockholder access to a company's shareholder list.

The proposed changes would clarify the full impact of what shareholder groups view as a major compensation benefit—executive stock options which, in theory, knit an executive's wealth closer to performance. The better the performance, the higher the price of the stock and the more valuable the options.

Sherman noted that "studies have shown that how much stock a ceo holds in his own company, and the greater the percentage of his wealth in company shares, the better the executive's performance."

This holds true in retailing—even for executives that didn't make *DSN's* listing of highest paid officers of public-ly-held discount retailers. Most executives on the chart have stock options, some as a direct result of their company becoming a publicly held firm.

Samuel Walton, founder and chairman of Wal-Mart, arguably the nation's most successful retailer, is the beneficial owner of the largest amount of company stock, 38.76%, even through he isn't among the five highest paid executives at the company. During the past decade, his highest salary, according to the discounter's proxy statement, has been $350,000.

A similar situation applies to executives at other major merchants. Robert E. Price, co-founder, chairman and ceo of The Price Club, which launched the membership warehouse industry, received only $240,385 in 1990 (after taking a pay reduction for a part of the year), but is among the largest beneficial owners of company stock.

At Costco, an innovative wholesale club, the two co-founders, Jeffrey H. Brotman, chairman, and James D. Sinegal, president and ceo, received cash compensation of $339,217 and $346,318, respectively, but are among the largest owners of company shares.

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Salaries of Top Execs in Publicly Held Discount Retailers

Executive	Title/Company	1990 Compensation (In Thousands*)	1990 Company Operating Income (In Millions)	1990 Compensation As a Percentage Of Operating Income
Charles Lazarus[1]	Chmn.; CEO/Toys 'R' Us	$5,371.9	$438.9	1.22
Stephen L. Pistner[2]	Chmn.; CEO/Ames	1,717.7	(793.5)	NA
Joseph E. Antonini	Chmn.; CEO/Kmart	992.6	1,307.0	0.08
Raymond Zimmerman[3]	Chmn.; CEO; Pres./Service Merchandise	844.4	224.4	0.38
Robert J. Ulrich	Chmn.; CEO/Target	832.8	466.0	0.18
Bernard Cammarata[4]	Chmn.; CEO/TJX	822.8	161.0	0.51
Samuel J. Gerson[5]	Chmn.; CEO/Filene's Basement	777.5	26.6	2.92
Don R. Clarke[6]	Chmn.; CEO/Caldor	771.9	79.6	0.97
William G. Kelley[7]	Chmn.; CEO; Pres./Consolidated Stores	761.6	15.2	5.01
Mone Anathan, III[8]	Pres.; Treas./Filene's Basement	747.5	26.6	2.81
J.R. Hyde III[9]	Chmn.; CEO/AutoZone	719.8	49.3	1.46
David W. Glass	Pres.; CEO/Wal-Mart	710.0	1,872.0	0.04
Sy Syms[10]	Chmn.;CEO/Syms	705.0	24.7	2.85
C. Clayton Burkstrand[11]	Chmn.; CEO/Pamida	694.5	38.6	1.80
Marc I. Balmuth[12]	Pres./Caldor	688.2	79.6	0.09
Robert C. Nakasone	Vice-Chmn./Toys 'R' Us; Pres./World Wide Toy Stores	684.3	438.9	0.16
George M. Granoff[13]	Pres.; COO/Ames	669.9	(793.5)	NA
Richard L. Sharp[14]	CEO; Pres./Circuit City	656.5	91.4	0.72
Michael Goldstein	Vice-Chmn.; CFO/ Toys 'R' Us	649.0	438.9	0.15
Julian M. Seeherman	Chmn.; CEO/Venture	620.7	53.8	1.15
Donald G.Soderquist	Vice-Chmn.; COO/Wal-Mart	600.0	1,872.0	0.03
Lewis B. Merrifield III[15]	CEO; Pres./Pic 'N' Save	583.3	37.1	0.16
Mitchell G. Leibovitz	Pres.; CEO/Pep Boys	574.2	77.4	0.74
Richard Lesser	Sr VP/TJX	567.9	161.0	0.35
Charles H. Shenk[16]	Sr VP Wholesale/Consolidated Stores	567.2	15.2	3.73
Herbert Fisher[17]	Chmn.; CEO/Jamesway	553.1	(32.6)	NA
Peter R. Formanek[18]	Pres.; COO/AutoZone	540.3	49.3	1.10
A.L. Johnson	Vice-Chmn./Wal-Mart; CEO/Sam's Club	525.0	1,872.0	0.03
Herbert J. Zarkin[19]	Pres./BJ's Wholesale Club	523.2	11.3	4.63
Leon Levine[20]	Chmn.; Treas./Family Dollar	500.0	47.6	1.05
Walter E. Bruckart[21]	Exec VP/Circuit City	497.1	91.4	0.54
Larry M. Parkin[22]	Exec VP/Kmart Warehouse & Grocery Operation	493.5	1,307.0	0.04
Roger V. Goddu[23]	Exec VP; GMM/Toys 'R' Us	490.9	438.9	0.11
David I. Fuente[24]	CEO/Office Depot	478.3	15.8	3.03
Frank R. Schlosser[25]	Pres.; COO/Pamida	473.9	38.6	1.23
Philip G. Otto	Pres./Venture	472.6	53.8	0.88
Frederick M. Stevens[26]	Chmn.; CEO/Fred Meyer	460.9	67.5	0.68
Stuart Rose[27]	Chmn.; CEO/Audio/Video Affiliates	459.2	4.8	9.56
Joseph R. Thomas	Exec VP; CAO/Kmart	454.7	1,307.0	0.03
Stephen A. Goldberger[28]	Chmn.; CEO; Pres./Hills	449.9	67.7	0.66
Leonard Luria	Chmn.; CEO/L. Luria	437.7	2.5	17.51
George A. Iacono[29]	Pres.; GMM/Value City	425.0	31.2	1.36
William R. Fields	Exec VP Mrch & Sales/Wal-Mart	425.0	1,872.0	0.02
Richard S. Miller	Exec VP/Kmart Stores	422.5	1,307.0	0.03
Roy M. Speer	Chmn.; CEO/Home Shopping Network	419.2	74.7	0.56
John A. Fitzsimmons[30]	Sr VP/Circuit City	392.2	91.4	0.43
Alvin N. Lubetkin	Vice-Chmn.; CEO; Pres./Oshman's	382.2	(4.0)	NA
Stuart C. Siegel	Chmn./S & K Famous Brands	380.0	2.9	13.10
George R. Friese[31]	Vice-Chmn./Hills	379.6	67.7	0.56
William D. Rivas[32]	Exec VP/Circuit City	377.3	91.4	0.41
Sol A. Shenk[33]	Consultant/Consolidated Stores	375.0	15.2	2.47
Joseph M. Segel	Chmn.; CEO/QVC	375.0	30.0	1.25
Paul R. Carter	Exec VP; CFO/Wal-Mart	375.0	1,872.0	0.02
Joseph R. Baczko[34]	Pres./Toys 'R' Us International	371.0	438.9	0.08
Benjamin Strauss	Chmn./Pep Boys	369.2	77.4	0.48
John B. Hurley	Pres./Fretter	363.1	(1.2)	NA

**Compensation includes salary and bonuses/incentives and, depending on retailer, such other payments as profit plan contribution, life insurance, auto expenses, financial planning and other perks, with specific salary and bonus/incentive amounts, where available, as indicated; stock options and cash payments under stock bonus plans are excluded.*

[1]*Includes base salary of $315,000 and incentive equal to 1% of pretax income over $18 million.*
[2]*Joined Ames April 1990. Pro-rated salary of $1.5 million and initial bonus of $500,000.*
[3]*Includes approximately $100,000 paid to or on behalf of Zimmerman for auto, medical, life insurance and legal expenses.*
[4]*Includes salary of $572,769 (pro-rated base salary of $603,00 effective July 1990 increased from $528,000) and incentive compensation of $250,000. Doesn't include $1 million deferred cash award under the company's Long Range Management Incentive Plan.*
[5]*Includes base compensation of $477,500 and bonus of $300,000.*
[6]*Includes base compensation of $468,750 and bonus of $303,159.*
[7]*Includes base salary of $446,250.*
[8]*Includes base compensation of $447,500 and bonus of $300,000.*
[9]*Includes base salary of $443,084 and incentive compensation of $276,688.*
[10]*Excludes $200,000 payment by Syms Advertising, a company subsidiary, as performance fees for advertising.*
[11]*Includes pro-rated base salary of $410,000 effective August 1990; previous base salary was $315,000.*
[12]*Includes base compensation of $418,750 and bonus of $269,475.*
[13]*Left company June 1991.*
[14]*Includes cash compensation of $540,979 and performance bonus of $115,500.*
[15]*Left company Dec. 31, 1990, receiving severance payment of approximately $3.1 million representing 2.9 times the sum of highest annual base salary and bonuses for prior two years.*
[16]*Includes base salary of $250,000.*
( )—Loss NA: Not applicable
[17]*Includes base compensation of $500,000, adjusted for cost of living increases reported in the Consumer Price Index.*
[18]*Includes base salary of $332,472 and incentive compensation of $207,795.*
[19]*Includes salary of $391,842 and incentive compensation of $131,363.*
[20]*Includes salary of $110,500 and incentive compensation of 3% of company's consolidated pretax income over $1.5 million.*
[21]*Includes cash compensation of $422,709 and performance bonus of $74,375.*
[22]*Retired Jan. 31, 1991.*
[23]*Includes forfeited benefits from prior employment and moving and relocation expenses of $114,967.*
[24]*Includes incentive award of $203,250.*
[25]*Includes pro-rated base salary of $287,000 effective August 1990; previous base salary was $215,000.*
[26]*Resigned from compan, Jan. 25, 1991.*
[27]*Includes salary of $150,000.*
[28]*Includes salary of $525,000, pro-rated until resignation November 1990.*
[29]*Includes salary of $250,000.*
[30]*Includes cash compensation of $351,748 and performance bonus of 40,425.*
[31]*Includes base compensation of $374,846.*
[32]*Includes cash compensation of $324,825 and performance bonus of 52,500.*
[33]*Retired former chairman; annual consulting agreement for five-year period.*
[34]*Resigned Feb. 3, 1991.*

Source: DSN research; company proxies, 10-Ks, prospectus.

A special supplement to Discount Store News *and* Drug Store News **Summer 1991**

Fabulous Food Departments at Dot Drug and Kmart

FM *Special Report*

Non-Foods Chains Approach Food Merchandising With Vigor

The Number of Food Items Is Up; So Are Profits

Discount and drug stores continue to embrace food items as sizzling promotional lures to their stores. In fact, buyers from both trade classes say that building traffic is the primary reason for advertising food and grocery products.

At the same time, non-food retailers are getting more savvy when it comes to selling grocery items. They are selecting them carefully, improving margins, and therefore emerging more profitable.

Those are just a few of the findings of a new study commissioned by *Food Merchandising* and conducted by Fairfield Research, Lincoln, Neb.

Because this is the second year Fairfield has examined for *FM* how the non-food trade treats groceries, important year-to-year comparisons can be made. One striking finding is that more retailers *are* stocking and promoting more food items. The most dramatic increase is in the soft drink category, where the percent of discounters carrying and promoting soft drinks escalated from 65% in 1990 to 90% in 1991.

At drug stores, the percentage increased from 86% last year to 97%. These statistics are a testament to the incredible drawing power of soft drinks—a highly consumable product area.

The incidence of advertising food products in discount stores jumped in six out of 11 areas. In drug stores, the use of advertising food items was up in nine out of 11 product classifications. A few examples include almost a doubling of the drug operations advertising and promoting candy and gum, and a 20 percentage point climb in the discounters stocking and promoting garbage bags.

But retailers tend to be promoting food items slightly less frequently, according to year-to-year comparisons. When items are promoted as much as every week, the➤

	Discount store			Drug store		
	More	Less	Same	More	Less	Same
Candy/gum	25	70	5	33	3	63
Snacks, chips, cookies, cakes	30	60	10	47	53	—
Soft drinks	5	80	15	14	3	83
Other drinks	50	36	14	18	7	75
Beer, wine, liquor	50	50	—	—	21	79
Pet foods	43	57	—	33	—	67
Household cleaners	20	80	—	21	—	79
Paper products	19	62	19	14	—	86
Food wraps	6	94	—	4	4	92
Garbage bags	35	65	—	14	—	86
Packaged groceries	42	58	—	21	4	75

Source: Fairfield Research

	Discount store		Drug store	
	1991	1990	1991	1990
Candy/gum	100	100	100	80
Snacks, chips, cookies, cakes	95	85	100	57
Soft drinks	95	70	93	67
Other non-alcoholic beverages	60	65	83	43
Beer, wine, liquor	5	5	33	37
Pet foods	65	60	70	40
Household cleaners	70	70	90	60
Household paper products	75	65	90	73
Food wraps	60	65	77	53
Garbage bags	85	65	90	63
Packaged groceries	60	30	67	37

Source: Fairfield Research

	Discount store	Drug store
Candy/gum	17	17
Snacks, chips, cookies, cakes	22	14
Soft drinks	8	5
Non-alcoholic beverages	25	16
Beer, wine, liquor	*	8
Pet foods	24	15
Household cleaners	19	12
Paper products	9	10
Food wraps	26	16
Garbage bags	27	16
Packaged groceries	18	15

** - Small response rate*
Source: Fairfield Research

	Discount store	Drug store
To build traffic	70	63
To generate impulse sales	10	7
To create a low price image	—	7
To pull traffic away from food stores with competing products	5	7
To attract new customers	—	7
To build margins	5	3
Other	10	3

Source: Fairfield Research

Beverage buyers	
Drug	27%
Discount	23%
Food/grocery buyers	
Drug	36%
Discount	36%
Merchandise managers/ division managers	
Drug	10%
Discount	21%
General merchandise managers	
Drug stores	4%
Discount	3%
Owners/partners/presidents/ ceos	
Drug stores	8%
Discount stores	3%
Vps of merchandising	
Drug stores	6%
Discount stores	2%
Operations managers	
Drug stores	5%
Discount stores	5%
Other	
Drug stores	4%
Discount	7%

Source: Fairfield Research

products selected are rapidly-turning consumables, such as paper products and snacks.

By carefully selecting and by improving pricing, chains are reaping improved gross margins. For instance, discounters stretched margins in pet foods from 10% in 1990 to 24% in 1991. Impressive profit gains were enjoyed in garbage bags, 7% to 27%, and food wraps, 7% to 26%.

Sell-through of food items has also improved—another factor enhancing profits in groceries. A few examples: drug store sell-through on snacks rose from 78% to 84%, pet foods from 63% to 78%, and garbage bags from 55% to 70%.

Most retailers queried reported they set a certain markup when determining promotional pricing for items stocked everyday.

The research also revealed food/-grocery buyers control the advertising purse strings. But, everyone from the president or chief executive officer to the divisional manager also has a hand in the ultimate advertising decision.

The advertising vehicle of choice stayed pretty constant at ROP newspapers, although there was a growth spurt in the use of radio advertising, television, in-store flyers, and in-store announcements. Discounters, in particular, are tuning in to radio. In 1990, 45% said they use radio; in 1991, the percentage expanded to 85%.

Following are some of the specific findings in each key food category.

Candy and gum

Almost 100% of both the discounters and drug stores surveyed stock and promote candy and gum. Plus, candy and gum received the highest ranking as the best-selling everyday grocery product in discount and drug store units.

In fact, 25% of discounters and 33% of drug stores indicated an increase in shelf space devoted to this traffic generator—one of the few areas showing shelf space gains.

Candy and gum are promoted by most discount chains at least once a month. That's a bit less than the year before, when retailers indicated they touted candy and gum once a week or more. Drug stores serve up candy and gum more often—30% indicated promoting candy and gum once every two to three weeks.

The best-selling candy and gum brand in drug and discount stores is Mars/M& M, followed by Hershey, Wrigley, and Snickers.

Several other candy companies were singled out in other questions, such as:

- M&M/Mars and Hershey provide dominant market share;
- Brachs allows for back haul allowances; and
- M&M/Mars achieves strong sell-through.

Candy is indeed a big draw for retailers, particularly during seasonal events such as Halloween, Valen-→

	Once a week or more	Once every 2-3 weeks	Once a month	Once a quarter
Candy/gum	20	20	35	15

Source: Fairfield Research

	Discount store	Drug store
Snacks, chips, cookies, cakes	79	84

Source: Fairfield Research

tine's Day, and Christmas. Buyers, however, noted they have reduced buying on seasonal specific goods, emphasizing basic stock. Others have tried creative ploys—Perry Drug Stores will take back unopened Halloween candy that purchasers don't use. According to Perry Drug's Steve Lund, the guarantee has had a positive impact on candy volume.

Snacks

Snacks, chips, cookies, and cakes constitute another category that most discounters and drug stores stock and advertise frequently. Both discounters and drug stores upped the incidence of advertising or promoting cookies, snacks, chips, and cakes from 1990 to 1991. Drug stores, for example, increased from a 67% base in 1990 to 935 in 1991.

The majority of respondents indicated including a snack in a promotion once a month. Although drug stores lost a gross margin point in the category from 1990 to 1991, discounters extended margins by two percentage points.

Frito-Lay copped the honors as the best-selling brand in the category. The other contenders vary by trade class. In discounters, Planters, Pringles, private label and Seyferts Chips all received equal mention. In drug stores, Frito-Lay was followed by Nabisco, Act II, Lay's, Pringles, and Seyferts Chips.

Frito-Lay was often mentioned as an excellent brand for providing good market share, while Nabisco was singled out at a superior provider of regional and neighborhood demographics. According to retailers, snacks is a category very tied to local preferences, and regional preferences are important.

No advertising	
Discount	5%
Drug	3%
More than once a week	
Discount	5%
Drug	3%
Once a week	
Discount	15%
Drug	31%
Once every 2-3 weeks	
Discount	25%
Drug	34%
Once a month	
Discount	35%
Drug	10%
Every other month	
Discount	10%
Drug	10%
Once a year	
Discount	0%
Drug	3%

Source: Fairfield Research

Discount stores		Drug stores	
1991	1990	1991	1990
25	7	16	13

Source: Fairfield Research

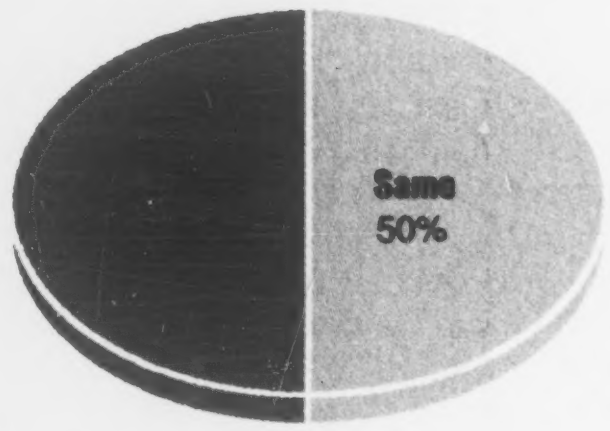
Soft drinks

If there is one grocery classification that's a "must have" for non-foods retailers, it is indeed soft drinks. Consumers have come to expect at least a smattering of soft drinks in all retail doors.

That lesson had a big impact on discounters, who lagged behind drug chains in soft drinks. Now, 90% of all discounters carry and promote soft drinks, up substantially from 65% last year. Drug store saturation rose from 86% to 97%.

There's also a marked increase in promotion of soft drinks by retailers. While less than 70% of retailers from both trade classes indicated advertising them in 1990, almost 95% now tout soft drinks. Drug stores, in fact, take advantage of the traffic-pulling power of soft drinks, with 34% promoting the items once a week or more. The competitive nature of soft drinks, however, hurt margins. Discounters' margins dropped from 11% to 8%; drug stores from 9% to 5%.

Shelf space in discount stores, 1990 vs. 1991
Will you devote more, less or the same amount of shelf space to beer, wine, or liquor in 1991?



Source: Fairfield Research

The average percent discount off the retail price rose from 12% in 1990 for discounters to 24%. That figure declined from 26% to 24% in drug stores. Sell-through improved in discount stores to 88%, up from 64%. Drug store sell-through dropped to 83% from 92%.➤

Other beverages

The health craze has indeed had a positive impact on sales of waters and juices. Chains which had tested the waters with non-carbonated beverages have long since annexed full selections. Almost 100% of both discounters and drug chains now stock these items.

It appears that discounters understood the power of the beverages before drug stores did. Drug store promotion of non-alcoholic beverages jumped from 86% to 97% last year, while discounters eased up on promotions.

Discounters cleared space on shelves to accommodate more of these SKUs. Fifty percent of the survey—the highest response—said they've given more space to non-alcoholic items. These items yield impressive 25% margins for discounters, significantly higher than the 16% margin reported by drug chains.

Drug stores:	
Ralston Purina	33%
Kal Kan	13%
Alpo	8%
Hartz	8%
9-Lives	8%
Other	13%
Don't know	17%

Source: Fairfield Research

Sell-through also improved for both channels. Sell-through at discounters was up from 67% in 1990 to 72%; drug store sell-through improved from 54% to 69%.

Ocean Spray received the honors in discount stores as the most brisk seller, while Very Fine copped the title in drug units. Other major sellers included Hi-C, Perrier, Sundance, and Tropicana.

Discount stores:	
Charmin	25%
Hi-Dry	19%
Northern	13%
Procter & Gamble	13%
Bounty	6%
Kimberly Clark	6%
Kleenex	6%
Private label	6%
Other	6%

Source: Fairfield Research

Beer, wine, liquor

Due to state laws, many operators can't sell alcoholic beverages, but those who can reported impressive sales gains via promotions.

Drug stores tend to offer beer, wine, or liquor more often than discounters. Alcoholic beverages, in fact, account for more than 10% of annual volume at Walgreens. Thirty-five percent of the drug chains polled promoted a beer, wine, or liquor as often as once a week.

Just over 40% of drug chains surveyed stock alcoholic beverages, while only 10% of discounters sell them. The most powerful name in beer, wine, and liquor for drug stores is Budweiser, with 36% selecting that brand.

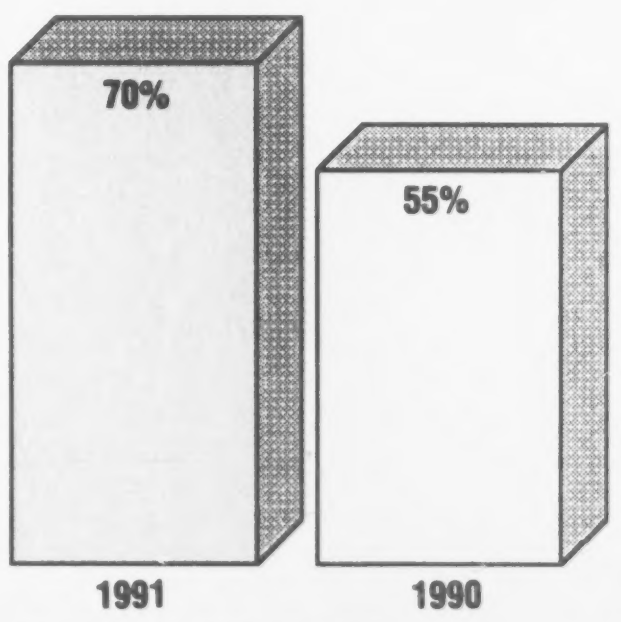
Pet food

Drug stores are more committed to pet foods than discounters, with 76% carrying and promoting the category versus only 55% of discounters. There was a reduction, in fact, of the percentage of discounters carrying pet foods—from 55% to 72%.

Both channels, however, have increased promotion of the category. This was especially evident in drug stores. In 1990, only 40% of the respondents had increased advertising spending, versus 70% in the most recent poll.

Gross margins are up substantially in both outlets—up from 10% to 24% in discount stores, and from 7% to 15% in drug stores. Pet foods exhibit good sell-through records, with a 65% sell-through in discount stores and 78% in drug stores—both up from 1990. Ralston Purina was ranked the best-selling brand name in both retail sectors.

Percent sell-through for food wraps in drug stores



Source: Fairfield Research

Household cleaners

Household cleaners are hotly promoted categories for both discount and drug operators. Both sectors increased the incidence of carrying and promoting household cleaners from 1990 to 1991. There is evidence, however, that retailers are content with the space allocated to the category. The majority of retailers, in fact, plan to decrease or keep space allocations the same.

Drug stores got aggressive in advertising cleaners, with 90% indicating an increase in advertising in the last year. The most popular frequency for promoting cleaners is once a month.

The household cleaner market is fragmented, according to the survey. Discounters picked Procter &→

	Discount store		Drug store	
	1991	1990	1991	1990
Household cleaners	70	70	90	60

Source: Fairfield Research

Gamble as the best-selling brand, followed by Spic & Span, Tide, Dow Chemical, Purex, S.C. Johnson, and Windex. Drug stores picked Tide, Procter & Gamble, Lysol, Windex, Colgate, and Purex.

Paper products

Paper products have become staples in both discount and drug outlets. Two-thirds of discounters and almost 95% of drug stores stock and promote paper items.

The incidence has declined slightly, however, in discount stores. In fact, almost two-thirds of discounters said they reduced space in their stores for paper products. Many explained that paper products are the victim of low gross margins.

Still, paper products remain one of the most frequently advertised product areas in both trade classes. As one discounter put it: "A good paper towel promotion will still bring in people like you've never seen."

The hot names to promote include Charmin, Hi-Dry, Northern, Procter & Gamble, Bounty, Kimberly Clark, Kleenex, and Scott.

Food wraps

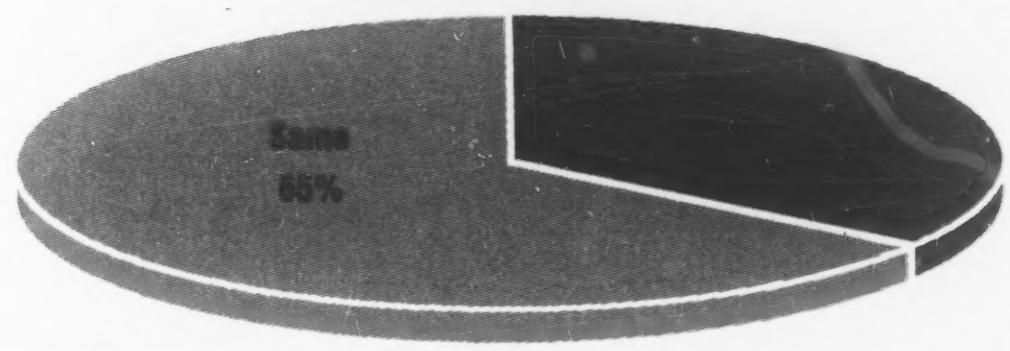
Discounters are promoting food wraps more than drug store operators. Both tout the items on average once a month, but both trade classes are advertising food wraps less frequently than last year. Still, chains are enjoying enhanced margins.

Methodology: Who, When, How

For this special research-based report for *Food Merchandising*, Fairfield Research interviewed a total of 50 retailers—20 discounters and 30 drug store chains. Primary interviews were at headquarters level, with the majority of sources holding the title of buyer, food/groceries. The survey was conducted in January 1991.

1991 shelf space compared to 1990: garbage bags

Discount stores



Source: Fairfield Research

Discount margins rose from 25% to 27%, while drug margins were up from 10% to 16%. The average percent-off in discount stores is 19%; for drug stores, 22%.

Glad was singled out as the best-selling name brand in both discount and drug stores, followed by Reynolds along with Dow, Handy Wrap, Zip Lock, and Saran.

Garbage bags

Consumers used to think garbage bag prices were too high in non-food outlets. Aggressive advertising has alleviated that fear.

More than 80% of drug and discount units stock and promote garage bags, and the incidence is up in both trade classes. Both types of retailers also indicated a substantial interest in increasing shelf space.

Garbage bags will be advertised by a lot more drug store operators this year than last—90% compared to just 63% a year ago. Discount stores are also placing garbage bags on ad more often, 85% versus 65%.

Gross margins on garbage bags are among the most attractive of all food categories—27% for discounters, 16% for drug stores. The hot brands are Glad, Hefty, Ruffles, and Mobile in both retail classes.

Packaged groceries

Packaged groceries remains one of the most untapped of all food classifications for discount and drug stores. Less than one-fourth of all discounters stock and promote the category, while only one-third of drug stores promote it.

What's more, that's down from 1990, indicating there are no immediate plans to charge full-speed ahead in the category. Not surprisingly, sell-through has declined for the category in both discount and drug stores. Kraft, Lipton, Chef Boy, and Nabisco take honors as the best-selling brand names.

Retailers said the area still holds great potential for non-foods operators. The reason, they said, is because many customers are looking for the convenience of picking up cake mixes, microwave meals, or soups while shopping in a drug or discount store.

Glad	29%
Private Label	18%
Hefty	12%
Ruffles	12%
Mobile	6%
Other	18%
Don't know	6%

Source: Fairfield Research

Want to Sell Wholesale Clubs? Handle with Care!

By Laurie Freeman

Gale and Jeffrey Luce of Rockville, Md., visit The Price Club at least once every two months to stock up on everything from bulk food items to cases of soft drinks, cat food, giant-sized packages of cookies and Utz pretzels (a regional salty-snack company).

There are two reasons the Luce's like membership club shopping. "Everything is so inexpensive, and they have the brand names I like," said Gale.

Everyday low prices and leading food brands are the key selling points of membership clubs, which already have become a $22 billion industry. Despite continued consolidation the industry has flourished, and even had an impact on how vendors deal with this unique form of distribution.

"And we're going to see tremendous growth," said Frank Blod, a principal of the New England Consulting Group, Westport, Conn. "The industry will double in size by the mid-1990s, simply because it's filling a niche that no other distribution system can match."

Food manufacturers are scrambling to meet the special marketing needs of warehouse outlets, while also making sure not to infuriate traditional retailers. Food companies have had to work hard to understand the nuances that make behemoth wholesale clubs a different animal than supermarkets or other operators who sell food.

The most desired items are multipacks or larger package sizes of top brand-name foods.

Multi-packs, *like this shrink-wrapped selection of condiments, are effective in a wholesale club setting.*

"We make available club pack sizes, which mainly consist of several regular retail boxes bound together as a larger size," said Tom Michaelis, sales planning manager, Thomas J. Lipton Co.

> Food manufacturers are scrambling to meet the special marketing needs of warehouse outlets, while also making sure not to infuriate traditional retailers.

The club packs currently sold include Lipton's Alfredo noodle side dishes and dry onion and noodle soup mixes. Lipton also markets a 144-count decaffeinated tea bag package, and a 216-count regular tea bag package.

Like every other food company, Lipton's policy is to make sure these larger sizes and multipacks are available to every class of trade, whether it's grocery, mass merchandise, or convenience store, not only the warehouse clubs.

"If any of our accounts want to stock the larger sizes, they are available to them," Michaelis emphasized. "These sizes are not restricted in any way to the wholesale clubs."

However, the larger sizes and multipacks are most attractive to the membership warehouse operations, which stock a limited number of top name-brand products in substantially larger sizes than those found in other distribution channels. Drug chains such as Genovese have tried to offer the multipacks with only limited success. The customer in a drug store, an executive reasoned, may not be prepared to tote home the huge package. They also may not have storage space at home.

"A membership warehouse club will carry only 3,500 SKUs, compared to a supermarket which may stock over 20,000," noted New England's Blod. "Consumers are looking specifically for multipacks and large sizes of French's mustard and Kelloggs cereals. They're coming to stock up."

The limited product selection—and membership clubs' desire to carry only top national and regional brand names—has inspired many leading marketers to devise prod-→

WAREHOUSE CLUBS

Chain	Sales (In Millions) 1990	Sales (In Millions) 1989	% Change	Number of Stores 1/90	Number of Stores 1/91	Number of Stores Proj. 1/92	Average Store Size (000 Sq. Ft.)
Sam's Bentonville, Ark.	$6,579	$4,841	35.9%	123	148	201	115
Price Club San Diego, Calif.	5,300	4,900	8.2	53	66	76	110
Costco Kirkland, Wash.	4,100	2,900	41.4	58	69	80	120
Pace Englewood, Colo.	2,295	1,700	35.0	47	78	115	100
BJ's Wholesale Club Natick, Mass.	1,150	985	16.8	23	27	33	105
Price Savers[1] Salt Lake City, Utah	850	685	24.1	14	17	0	100
The Wholesale Club[2] Indianapolis, Ind.	726	570	27.4	23	28	0	105
Warehouse Club Skokie, Ill.	265	267	(90.7)	12	10	10	100
Wholesale Depot Natick, Mass.	50	10	400.0	2	2	6	60
Total:	**$21,315**	**$16,858**	**26.4%**	**355**	**445**	**521**	

[1]Price Savers: Acquired by Pace in December 1990.
[2]The Wholesale Club: Acquired by Wal-Mart for Sam's Club in February 1991.

Source: DSN *research*

ucts that lend themselves to the larger-format stores.

Heinz USA, for one, has found great warehouse club success with its 64-oz. Heinz ketchup, packaged in a new recyclable plastic container. The containers are placed prepriced on a display-ready pallet that can be easily unloaded from a delivery truck right onto the selling floor.

"This has strong appeal for larger grocery outlets and warehouse clubs; there's less handling necessary," said Tony Muscato, Heinz USA product manager.

Heinz also has grouped several popular condiments together into special seasonal packages.

The "Picnic Pack" includes an 18-oz. Heinz ketchup, a 16-oz. mustard, and a 14-oz. relish. In addition, the company offers a "Barbecue Pack," which substitutes barbecue sauce for the relish. Both packages have proved to be popular in warehouse clubs this year, Muscato said.

"This shows there is a lot of opportunity for seasonally-oriented merchandise within membership clubs," he said. "They [membership clubs] are interested in special packages that can be sold within certain specific time periods."

> Everyday low prices and leading food brands are the key selling points of membership clubs, which already have become a $22 billion industry. Despite continued consolidation the industry has flourished, and even more growth is expected.

Earlier this year M&M/Mars began marketing a special three-pound package of M&M Chocolate Candies. This large-size bag has also found a niche within warehouse operations across the country, much to the company's delight.

"Originally we started making the three-pound package as a promotional item, but demand quickly exceeded our sales expectations," said Whitney Hill, M&M/Mars' trade relations director.

Hill pointed out that the larger size of M&Ms appeals to many wholesale club shoppers who are buying M&M candy products for use in restaurants and ice cream shops.

"A lot of M&Ms are used in cookies and as toppings," he said. "A larger-size bag helps entice people to consume more candy."

Golden Valley Microwave Foods makes available 12-count to 18-count sizes of its Act II popcorn products, a substantially larger size than the three- to six-count packages generally sold through supermarkets.

The company, which also markets microwaveable pancakes, french toast, and waffles, sells 60-count to 70-count packages of those products ►

Large packs *of microwave popcorn, like these from Golden Valley, are particularly attractive to wholesale club shoppers, who save by buying bigger sizes.*

primarily to warehouse clubs, compared to the standard eight-count to 12-count packages preferred by supermarkets.

"The sizes reflect the style of the warehouse clubs, which want to offer a savings to the consumer who will buy a goodly size," said Bill Pfund, Golden Valley spokesman.

"Super"-sized packages of Oreos, Ritz crackers, and Chips Ahoy! cookies are the best-selling Nabisco products through warehouse outlets, said Mark Gutsche, Nabisco Brands spokesman.

The Super Carton, which consists of two one-pound cartons bound together, are available to all classes of trade. "But the larger package clearly fits the need of consumers in warehouse formats," Gutsche said. "Those consumers are going there to stock up; they want the big bag of Wheat Thins."

In several Midwest cities, Pepsi-Cola is testing a special four-pack of its two-liter bottles for sale specifically through larger-format grocery outlets.

"It comes in a special cardboard carrying case, which makes it easier for high-volume customers, like families, to carry than four separate two-liter bottles," said Gary Gerdemann, public relations manager for Pepsi-Cola.

Gerdemann added that warehouse clubs provide the soft drink marketer with a "high-format that's advantageous for us, since in the soft drink business, volume is everything."

While the number of special sizes and packaging concepts are somewhat limited, food manufacturers note that they are just beginning to understand the methods and strategies of marketing through warehouse club stores.

Operators of wholesale clubs are quick to point out that they require special consideration from vendors.

For example, wholesale clubs don't require the point-of-purchase displays that traditional operators use. Wholesale operators also don't request the in-store support that other retailers have come to demand, and that represents an enormous savings to vendors.

Explained Ken Kirwan, senior vice president, general merchandise manager for BJ's Wholesale Club, "We're not asking for better deals; just different."

Manufacturers are all ears to learn how to partner with wholesale clubs. "It's a distribution channel that's here to stay, and we'll get better at providing the products warehouse clubs want," said Heinz USA's Muscato. "We view this as an opportunity to build our business, and we've just begun to scratch the surface."

CS150-3

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SECOND CLASS

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Clubs' Growth Grows Hotter

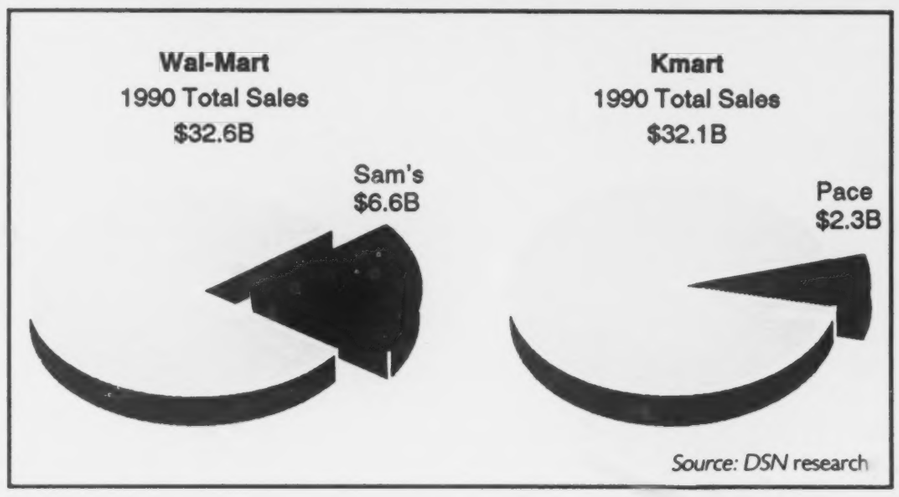
Pace to Infiltrate Rivals' Strongholds

By Arthur Markowitz
Nationwide DSN Report

In case you thought the membership warehouse industry's expansion was cooling off, it hasn't—and in fact, it has become even hotter.

The heat is now being turned on by Pace Membership Warehouse, which is going into more than a half dozen markets like Dallas and San Diego that are already home to competitors like Sam's Club and the Price Club—the industry's top two chains.

Pace, a subsidiary of discounter Kmart, plans to open 14 clubs this fall. The expansion will be accelerated in 1992 with 30 to 35 new clubs to intensify the growing direct competition among the industry's five major players which also includes Costco Wholesale and BJ's Wholesale Club.



Pace president and ceo Charles Steinbrueck said, "Other clubs weren't concerned about coming against us. Expansion is a two-way street" and "there's room in all these [new] markets for us."

Pace's accelerated expansion should markedly increase the chain's share of overall Kmart Corp. volume and operating income and help power its parent's growth, similar to the way Sam's has impacted and propelled its parent, Wal-Mart.

This year, Pace accounted for 7.2% of Kmart's volume and 1% of operating income. Sam's accounted for 20.2% of Wal-Mart's sales and an estimated 9.1% of operating earnings.

Kmart is striving to build Paces alongside its discount stores to turn those locations into power centers that can quickly generate $70 million in annual sales—$50 million from the wholesale club and $20 million from the discounter. The Pace opening this fall in Irving, Texas, one of three in the Dallas market, will have Kmart as a neighbor.

Wal-Mart already pursues a similar twinning program with its Sam's Clubs and discount stores.

As Pace revs up, competing clubs aren't standing still.

Sam's, the industry's leader, will open about 40 clubs this year. In 1992, it will make a major thrust into the Northeast with at least 18 stores, a debut in California and a move into Mexico through a joint venture. Many Sam's in the Northeast were clubs that were originally due to open this year in markets like Albany, and Fishkill, N.Y., but were delayed because of construction and/or governmental difficulties.

The Price Club, which will open 11 clubs this year, expects to accelerate its growth in 1992. Expansion into Mexico, Texas—now just Sam's

(Continued on page 38)

Bradlees Getting the Hang of It: Reduces Store Remodeling Time

***Shoppers check** back-to-school supplies at Bradlees store in Union, N.J. (At right) Bradlees president Barry Berman says the discounter is remodeling as fast as it can.* (DSN photos)

UNION, N.J. — Bradlees has steepened the learning curve as it remodels its stores.

The discounter closed down during the remodeling of the first four stores last year, which resulted in the loss of several months of sales.

This year, the chain's first eight stores were kept open during the remodeling process but the project took six months: three months to physically remodel them at a cost of about $900,000 per store, and three more months of learning how to keep the stores replenished in the face of double digit sales gains and a 3% to 4% expansion in hard lines skus.

For the next nine stores, set for grand reopenings in the fall, Bradlees is compressing the remodeling time to three

"We're going as fast as we physically can," Bradlees president Barry Berman said during a tour at the grand re-opening Aug. 3 of the Union, N.J., store. More capital wouldn't necessarily make the job faster, he said, responding to press speculation that the investors that control Bradlees parent, Stop & Shop, might take the company public in a deleveraging.

"I hadn't heard that," Berman said.

The investment firm of

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Listening to comments from Ukrainian delegates are: (l-r) Alex Maximov, U.N. interpreter; DSN moderator Laura Liebeck; Roy Garofalo, Woolworth; Dave Carlson, Kmart; and Dorothy Lakner, Oppenheimer & Co. (DSN photo)

American-Soviet Retail Summit Hosted by DSN

In the spirit of fostering world peace and the growing global economy, DSN moderated and sponsored a round table discussion between Russian business leaders and American retail and manufacturing executives. The forum provided both sides with an opportunity to meet, exchange ideas and overcome political and business differences so effective relationships can be formed and new markets opened. The meeting was held after the Soviet government decided to lift travel and emigration restrictions for its citizens beginning in 1993, and prior to the Bush/Gorbachev summit that ratified the arms reduction treaty and included discussion on granting most favored nation status to the Soviet Union.

By Laura Liebeck

TARRYTOWN, N.Y. — American retailers and consumer products companies are in danger of falling hopelessly behind firms from other nations in the race to capitalize on business opportunities in the Soviet Union.

Although Soviet trade barriers have been eliminated, many Russians are still frustrated by the reluctance of American companies to invest in their country or even to establish business partnerships there.

(Continued on page 8)

MARKETWATCH

Kmart Apparel Division To Move

NORTH BERGEN, N.J. — Part of the Kmart Apparel Division, located in New Jersey, will be moved to company headquarters in Troy, Mich., beginning next spring. The move, which will affect about 150 employees, should be completed by February 1993. A company spokeswoman noted that the North Bergen distribution center will remain in the area. The move affects most of the merchandising personnel including Glenn Smith, president of the division, who is based in the New Jersey facility. Other departments expected to remain in the New Jersey location include information services, accounting, distribution and some human resources personnel.

Newell-W.T. Rogers Merger Completed

FREEPORT, Ill. — Newell Co. has completed its merger with the W.T. Rogers Co., manufacturer of office supplies. The terms of the merger entailed the issuance of 1.7 million shares of Newell Common Stock to W.T. Rogers. The merger with W.T. Rogers is the first of what is expected to be a series of acquisitions aimed at making Newell a dominant supplier to the office superstore industry. Sales at W.T. Rogers for 1990 were $45 million. Desktop accessories, portable files, and storage cases are among the Madison, Wis.-based vendor's products.

Western Development Opens New Mall

CHICAGO — Gurnee Mills, an outlet mall featuring more than 230 retailers, opened earlier this month. Western Development Corp. expects the mall, situated halfway between Chicago and Milwaukee, to generate $300 million in sales for the year. Western Development also runs the Franklin Mills, Potomac Mills and Sawgrass Mills outlet malls in Philadelphia, Washington D.C. and Sunrise, Fla., respectively. Anchors for the Chicago location include Bed, Bath & Beyond, Phar-Mor, Marshalls, Speigel, Waccamaw Pottery and Sears. Retail outlets for stores such as Ann Taylor are housed in the mall. Manufacturer's outlets include Bugle Boy and American Tourister.

More Retailers Joining IMRA

WASHINGTON — Four more retailers have joined the International Mass Retail Association, led by Costco, the Kirkland, Wash.-based warehouse club giant. Also joining in the past month are Penn Daniels, operators of Jack's discount stores, Priceline Pty., Ltd., and the Monterey Bay Aquarium Association. Other recent additions include Home Depot, AutoZone, Family Bargain Centers, Consolidated Stores and Channel Home Centers.

DSN, NHMA Will Host Round Table

ATLANTA — The National Housewares Manufacturers Association and *DSN* will be hosting a Retail Round Table discussion here during the upcoming Lifestyle Expo & Conference.

The panelists will include retail executives such as Carl Schwartz, senior vice president, general merchandise manager of hard lines with Fisher's Big Wheel; Stan Johnson, president of Cincinnati-based Van Leunen's; and Jerry Knaus, general merchandise manager of hard lines with 555-unit Bill's Dollar Stores. Topics to be discussed will include how retailers can survive and prosper in the '90s, and ways in which manufacturer partnerships have helped. The round table will begin at 7:30 a.m. and conclude by 9:00 a.m. Saturday, Sept. 14.

Showgoers who wish to register for the Expo should call (800) 553-0505; those wishing to register for the Retail Round Table and other conferences being held, dial (800) THE-NHMA. The Lifestyle Expo & Conference runs from Sept. 13 to 15 at the Georgia World Congress Center. The convention is being held concurrently with the Atlanta National Gift and Accessories Market, and the Atlanta National Gourmet Show.

FOR THE RECORD

A Marketwatch item on the opening page of the Hard Lines section in the July 8 issue misidentified the Play World toy chain. Located in Farmingdale, N.Y., the chain operates five freestanding Play World stores plus a Nintendo kiosk in a local mall, one Toy Park toy store in Manhattan, and the toy department for Throughway Market in Walden, N.Y. A ninth unit, a full-line Toy World, will open in the fall on Long Island.

Rose's Prez Targets Profits

Ex-Target Exec Takes Helm

HENDERSON, N.C. — Rose's has turned to national powerhouse, Target Stores, for its new president and chief executive officer.

George Jones, formerly executive vice president of store operations at Target, has been named president of the struggling Southeastern discounter. He fills a position left vacant since Jack Bush left the company in January 1990.

The appointment also signals the increased power of the president at Rose's; chairman Lucius Harvin III has relinquished his ceo title to the newly appointed president.

Jones told *DSN* that his immediate goal will be to return Rose's to profitability.

"We will be looking at everything in our value equation. Everything from pricing to advertising and sales per square foot," Jones said.

Improving customer service and understanding the overall competitive environment will also be key to putting together new strategies. "I have a lot of preconceived ideas of things we need to do. Once I am sure I am correct, we will implement the necessary changes."

When asked when he expected Rose's to be out of the red, Jones replied, "We will return to profitability as soon

(Continued on page 36)

George Jones

Oshman's Inks Mexican Deal, Opens Two Stores

HOUSTON, Texas — Oshman's Sporting Goods has signed an agreement with Multideportes de Mexico S.A. to license the Oshman's name in Mexico, and opened its first two stores in Mexico City just two weeks ago.

The move south of the border by the 189-unit sporting goods chain follows announcements by two other U.S. retailers, Wal-Mart and Price Club, which also said they plan to open warehouse clubs in Mexico in the near future.

Mutlideportes de Mexico is a newly created company whose management consists of Adrian Aguirre, president of Radio Broadcasters of Mexico and chief executive officer of the new company, and Hilario Rivas Eyles, formerly with Liverpool Department Stores, now chief operating

(Continued on page 38)

Green Seal, UL Join To Monitor Claims

NEW YORK — Green Seal and Underwriter Laboratories have joined forces in an attempt to give more credence to proposed environmental seals of approval.

UL will help draft environmental standards for Green Seal and then test to make sure manufacturers live up to their environmental claims when they make and package products.

The pact between the non-profit organizations will lend the Green Seal label market credibility and give it an advantage over competitors, such as Green Cross and *Good Housekeeping*, Green Seal president Denis Hayes said in a New York press conference. Greater consumer acceptance will prompt retailers to get involved in the program, he said.

The Green Seal label will appear on the first products, toilet and facial tissue, by the end of the year, Hayes said. The UL label won't appear on approved products, just the Green Seal. UL also will spot check production to make sure manufacturers adhere to standards after they get approval.

Test costs will range from roughly $1,000 to $10,000, said UL president Tom Castino.

UL also will inspect factories to make sure manufacturers don't pollute the air or water as they produce. But it won't be involved in other phases of the Green Seal process, such as determining the environmental impact from the distribution and disposal of products.

When Green Seal was launched last year, funded primarily by foundation grants, it talked of life cycle analysis, a process that considers the cradle-to-grave environmental impact of a product from the time its raw materials are produced until it is thrown away.

Under criticism from the Environmental Protection Agency about the feasibility and cost of life cycle analysis, however, Green Seal dropped the idea. Now it works on "environmental impact evaluation," a compromise that considers phases of a product's life cycle that generate significant environmental impact.

Its major competitor, Green Cross, from the beginning adopted an even more modest goal, certifying only the accuracy of manufacturers' environmental claims. That enabled Green Cross to get a jump on environmental

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EDITORIAL

The Critical Race for Survival . . .

The big race is on!

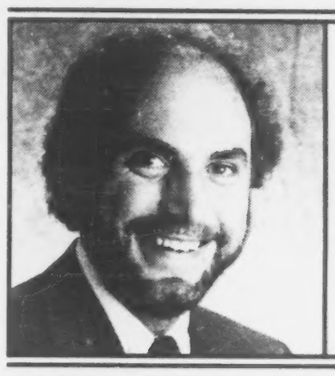
The pressure is intense. The stakes are high.

But this race is a little different than most. It's not one that any company would voluntarily enter or be proud to be in. But you can bet that thousands of people—employees, analysts, creditors and competitors—are watching it closely.

This is the race that will determine which discount retailer will be the first company to emerge from Chapter 11. It's a race for survival.

And in recent weeks several retailers have revealed strategies that they believe will not only help their chains emerge from Chapter 11 but be better positioned to compete in the 1990s as well. They include the following:

- Ames—Chairman Stephen Pistner, or "The Doctor" as *DSN* has previously described him, recently unveiled a five-year plan that will turn Ames' stores into a group of about 10 specialty departments in high-margin categories such as crafts, jewelry and accessories.
- Hills—Two versions of a new prototype concept debuted this month in Cleveland and Pittsburgh. Upgraded fixturing and merchandise mix give Hills a more contemporary look and thus a stronger competitive position. No doubt that more changes are forthcoming under the helm of former Sears merchandise group head Michael Bozic.
- Best Products—Next month, the cataloger will begin testing a new showroom format in Philadelphia that puts greater emphasis on jewelry and features computers for direct ordering.



TONY LISANTI
Editor

Other chains involved in this race include Lionel Leisure, Stuarts and Bargain Town.

Nevertheless, this is a tough race to handicap. The lingering impact of the recession in the states several of these chains operate in will also be a key factor in this race. Another consideration is customer loyalty.

The odds are favorable that all these chains will emerge from Chapter 11. And most likely Ames will be first possibly as early as the first quarter of 1992.

However, can these retailers continue to be competitive in the long term and return to the glory days they once enjoyed?

BUYERS & SELLERS

Russians: 'Why Aren't the Americans Coming?'

On one side of the room sat nine casually-dressed men and women from the Ukraine, the second largest republic in the Soviet Union.

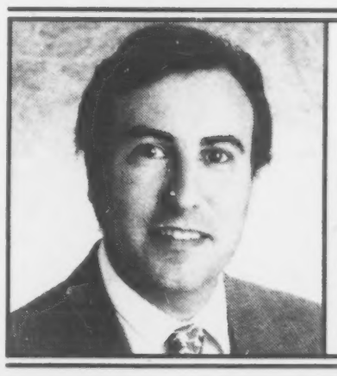
Facing them, were six Americans, in typical business attire, representing the retail, manufacturing and investment communities.

Their dress mirrored their attitudes. The Russians talked quickly, with passion and urgency about the deep crisis facing their economy and of the need for establishing business links with the United States. The Americans were cautious, eager to learn more about their counterparts but nervous about the lingering economic and political unrest in the U.S.S.R.

This landmark meeting, sponsored by *DSN*, brought out some revealing insights into the problems and opportunities available to retailers and manufacturers in the untapped Soviet market.

"Today is a very rare occasion," said Dr. Ehiel Ash, a Russian emigre and accounting professor at Iona College, New Rochelle, N.Y. "On one side of the table we have representatives of a country that can purchase virtually anything. On the other side, we have representatives of a country that can sell virtually anything." The lack of a steady flow of consumer goods into the Soviet Union was identified as one of their biggest problems. There is a tremendous need for products and retail outlets through which to sell them. One Russian delegate estimated that Soviets are sitting on 3 billion rubles of excess savings due to the lack of consumer goods available.

However, judging from the comments of most attendees (see story, page 1), the problems currently outweigh the opportunities. Ironically, the two world powers were more successful at forging trading partnerships several years ago, than today, when the Soviet Union appears to be moving, albeit slowly and painfully, toward becoming a more democratic and capitalist society. Perhaps larger companies are too conservative to take the plunge. Oppenheimer & Co. analyst Bernard Sosnick was right on target when he said that it's going to take small businessmen on each side to get together, work hard and overcome the obstacles to doing business.



DON LONGO
Exec Editor

DSN is honored and eager to serve as a catalyst, helping to link the gap between Russian and American retail and manufacturing entrepreneurs. I invite anyone who has any ideas on how Americans and Russians can work together to call or fax me at 212-756-5107 (fax: 212-756-5125).

TAKING STOCK

Against Clubs, Chains Fight Fire With Fire

Membership warehouses haven't taken over the world of merchandising—it only seems that way.

But wholesale clubs have had a major impact on retailing and traditional merchants are starting to use some membership warehouse techniques to fight back.

First the clubs' impact. They have shown that consumers are willing to buy goods in what had been considered industrial or business sizes like a carton of computer paper or a 20-pound box of detergents.

The multipacks, in fact, are now starting to be viewed as an environmental plus, a way to reduce package waste. One non-profit environmental group's proposed standards for toilet paper calls for packages to contain at least six rolls.

Finally, the clubs' every day low prices and shunning of advertising has confirmed the perception among consumers that the best values can be found at retailers that eschew promotions for low everyday prices.

Retailers, in fighting back, are now starting to offer the same industrial and business sizes found in clubs at competitive prices—and the stores are playing up the fact that customers don't have to pay a membership fee or premium. The merchants that are pursuing this battle plan have made the tough decision that it warrants taking lower margins for warehouse-packs to retain customers and maintain market share.

ARTHUR MARKOWITZ
Senior Editor

The margin situation, in reality, is much better than the retail price would indicate. Manufacturers work with the retailers by providing the same deal as those available to membership warehouses. The pallet packaging, quantity purchase and faster turn helps the retailer hold down costs, just as they do for the clubs.

Vendors also offer special packs on selected products that are especially attractive to traditional retailers, although this merchandise is available to all their customers.

The more adept retailers are using the clubs' marketing strength against these merchants to make sure membership warehouses don't take over the world of merchandising.

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Sunbeam Grills Sizzle in Discounters' Ads

Nationwide DSN Report

Discounters most often advertised Sunbeam gas grills in their weekly circulars this spring.

In an exclusive survey of 18 mass merchants for *DSN*, Market ADvantage, Northbrook, Ill., found that mass merchants featured Sunbeam products in 124 ads, accounting for 45.3% of grill ad volume. Char-Broil ranked second, featured in 69 mass market circulars with 25.2% of ads. The rest of the top five were: Thermos, 48 ads, or 17.5% of the total; Sears/Kenmore, 13 ads and 4.7%; Weber, eight ads, 2.9% of the total.

Other brands appeared in 12 ads, or 4.3% of the total.

Market ADvantage, a retail advertising information service, found that Lechmere and Meijer were the top grill advertisers, with Lechmere featuring grills in 35 ads, or 12.8% of the total. Meijer followed closely with 34 ads, or 12.4%.

Caldor and Brendle's played in the same league as the top two: 32 ads for Caldor, or 11.7%, and Brendle's, 31 ads, or 11.31%. Bradlees, ShopKo and Venture fell into a second tier. Bradlees featured grills in 19 ads, accounting for 6.9%; ShopKo, 18 ads and 6.6%; and Venture, 16 ads, and 5.8%.

All others, including Wal-Mart, Kmart, Target, Ames, Best, Fred Meyer, Hills, JCPenney, Jamesway, Kohl's, Sears and Montgomery Ward, accounted for 89 ads, or 32.5%.

As expected, Sunbeam accounted for four of the seven most advertised grills. The top advertised model was the Sunbeam 563SI, 44,000 BTU, with 12,000 BTU side burner, appearing in 22 ads, or 8% of the total. Wal-Mart's $149.94 was the lowest, while Jamesway the highest, $174.99.

Thermos ranked fifth, with its 4,000 BTU Deluxe Minute Grill featured in nine ads at prices ranging from a low of $179.99 at Bradlees to a high of $199.99 at Ames.

Kmart advertised the lowest prices of the next two most advertised grills, both Char-Broil models. Kmart promoted Char-Broil's 46,000 BTU 680SI, with 12,000 BTU side burner at $169, compared to $199.99 at Bradlees.

For Char-Broil's 35,000 BTU 464SI, Kmart offered the lowest price, $119, compared to the highest of $139.99 at Ward.

Caldor advertised the top price of any grill, $479.99 for the Weber Genesis II.

By retailer, advertised grill prices at Bradlees ranged from a low of $89.99 to a high of $259.99. At Kmart, advertised prices ran from $119 to $229, while Ward's advertised grills ran from $139.99 to $299.

Gas Grill Price Range By Retailer

Retailer	Price Range
Bradlees	$ 89.99 - $259.99
Kmart	$119.00 - $229.00
Montgomery Ward	$139.99 - $299.00
Sears/ Kenmore	$ 99.00 - $119.00
ShopKo	$ 99.99 - $259.99
Target	$ 80.00 - $249.77
Venture	$119.99 - $224.99
Wal-Mart	$ 89.94 - $269.99

Source: Market ADvantage

Top Advertised Models And Price Range

Brand	Model Description	# of Ads	%	Price Range
Sunbeam	44,000 BTU 563SI with 12,000 BTU Side Burner	22	8.0%	$149.94 - $174.99 (Wal-Mart) (Jamesway)
Sunbeam	35,000 BTU 422SI	12	4.3	$119.94 - $149.99 (Wal-Mart) (ShopKo)
Sunbeam	26,000 BTU 225SI	12	4.3	$89.94 - $99.99 (Wal-Mart) (Caldor)
Sunbeam	48,000 BTU 1021 SI with 12,000 BTU Side Burner	10	3.6	$224.99 - $259.99 (Venture) (Bradlees)
Thermos	44,000 BTU Deluxe Minute Grill	9	3.3	$179.99 - $199.99 (Bradlees) (Ames)
Char-Broil	46,000 BTU 680SI with 12,000 BTU Side Burner	8	2.9	$169.00 - $199.99 (Kmart) (Bradlees)
Char-Broil	35,000 BTU 464SI	8	2.9	$119.00 - $139.99 (Kmart) (Ward)

Source: Market ADvantage

Top Advertised Gas Grill Brands

(May 4 through June 29, 1991)

Brand	# of Ads	% of Total
Sunbeam	124	45.3%
Char-Broil	69	25.2
Thermos	48	17.5
Sears/Kenmore	13	4.7
Weber	8	2.9
Others	12	4.3

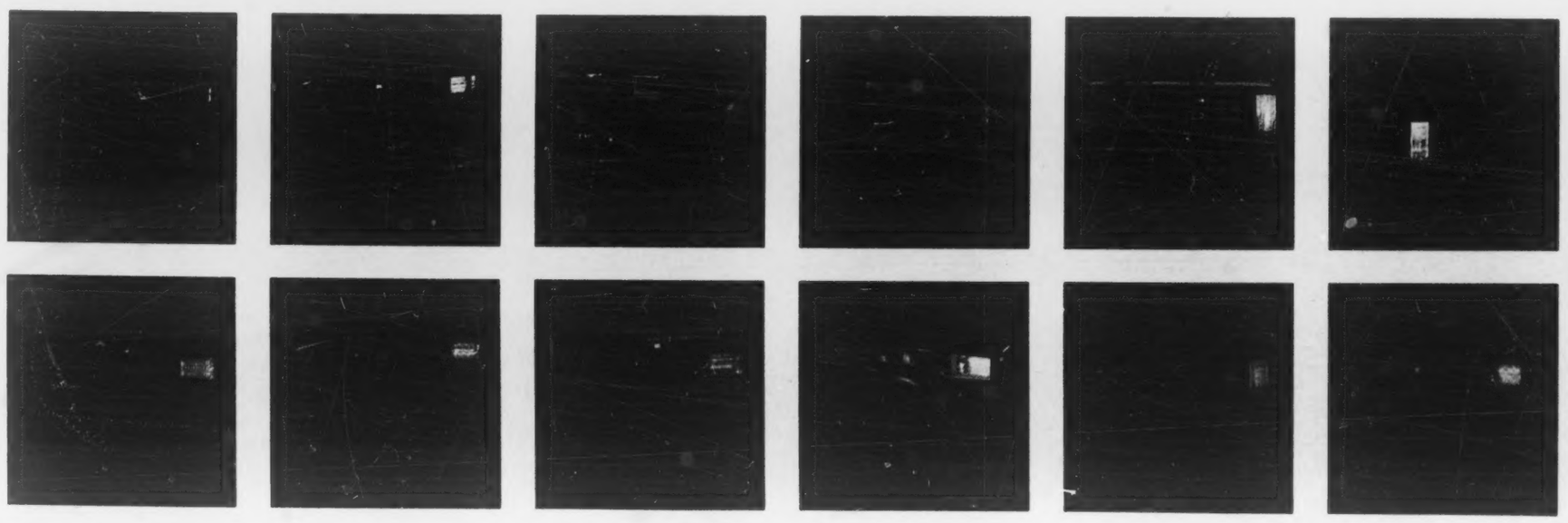
Source: Market ADvantage

Top Retail Advertisers of Barbecue Grills

(May 4 through June 29, 1991)

Retailer	# of Ads	% of Total
Lechmere	35	12.8%
Meijer	34	12.4
Caldor	32	11.7
Brendle's	31	11.3
Bradlees	19	6.9
ShopKo	18	6.6
Venture	16	5.8
Others	89	32.5

Source: Market ADvantage



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There's Phar-Mor to 'Drug' Chain Than Meets the Eye

By Arthur Markowitz

YOUNGSTOWN, Ohio — Phar-Mor, the mystery chain in the deep discount drug store field, continues to pursue its aggressive expansion program and unique merchandising that the company expects will push it to the $3 billion sales level in its current fiscal year.

But it's this unbridled growth that has raised the mystery of how profitable this nine-year-old privately held chain is and how long can it maintain its rapid expansion.

President Michael I. Monus, in a prepared statement earlier this year, said the company "continues to be profitable," but didn't release any figures. Phar-Mor sales were just over $2 billion in 1990.

***Phar-Mor's quest to become** a national retailer may be aided by its investment deal with Corporate Partners.*

His statement came shortly before Phar-Mor disclosed in June, when its fiscal year ended, that an investment fund had bought a 17% equity interest, composed of stock and warrants, for $200 million. The deal with Corporate Partners, a $1.6 billion fund associated with the Lazard Freres & Co. investment firm, "will enable us to fulfill growth plans well into the next decade," Monus said, and "bring us closer to reaching our potential as a national retailer."

Trade observers noted that investment houses make money either by sharing in the profits of a company or by selling their stake at a higher price. In Phar-Mor's case, a successful public stock offering, including some or all of Corporate Partners shares, could only come when the company produced a strong bottom line.

As has happened at other retailers, a public offering would also reward Phar-Mor's other investors whose equity in the retailer was cut by the Corporate Partners investment. These include Giant Eagle, with almost a 50% interest, Youngstown-based real estate developer Edward J. Debartolo Sr., with about a 10% stake, and other families from the two cities.

(Continued on page 28)

ShopKo Discloses IPO Expectations

GREEN BAY, Wis. — Super Valu expects that a 52% stake in its ShopKo discount store subsidiary will fetch as much as $280.5 million.

The supermarket operator has followed through on its announced intentions to take ShopKo public by filing a stock registration with the Securities and Exchange Commission to sell 16.5 million shares of ShopKo stock at an expected price of $14 to $17 a share.

Under terms of a June 1991 recapitalization, ShopKo wouldn't get to keep the proceeds, if the IPO goes through. Instead, it would have to remit the money to its parent to repay an undisclosed portion of a $427.5 million demand note signed in anticipation of going public.

Accordingly, Super Valu, rather than ShopKo, would get to use the proceeds of the stock sale for its own needs, such as store expansion.

ShopKo owns all the stock to be offered, and Super Valu will retain as much as a 48% or as little as a 41% stake. The percentage depends on whether underwriters exercise an option to buy 2.5 million additional shares that Super Valu owns. Either way, it will continue to control the chain. Goldman, Sachs, New York is the lead underwriter.

The ShopKo subsidiary operates 108 discount stores in

(Continued on page 32)

The Anderson's Hones Mix; Adopts New 'Shop' Approach

By Mary Ellen Kelly

MAUMEE, Ohio — The Anderson's, a six-unit discounter, has joined a growing list of retailers redefining their "core" categories and creating merchandise "shops" for a category killer presentation in key departments.

The Anderson's has already worked a new Pet Care center and a Lawn & Garden shop into its stores—complete with new signs and lighting—and is soon to begin work on a section called, "The Uncommon Market," offering specialty foods, wine, flower shop, deli, produce and bakery goods.

Other chains which have developed similar shop environments include Secaucus, N.J.-based Jamesway; Henderson, N.C.-based Rose's, and Cincinnati-based Van Leunen's.

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Sears to Open 8 Canadian Units

TORONTO — Sears Canada is expected to spend about $75 million (Canadian) in preparation for its reopening by the end of this month of eight acquired stores in the Greater Toronto area.

The acquisitions—a net gain of seven stores for Sears—include five Simpson's and two Bays, for which Sears paid C$37 million (US$32.1 million) and a Simpson's that was leased directly from a shopping center developer. One Bay, meanwhile, is going into a Sears that will be relocated into one of the Simpson's.

Sears Canada, a 62.7%-owned subsidiary of Sears, acquired the seven stores from the Hudson Bay Co. The unit became available as a result of the recent merger of Simpson's and Bay, 10 years after Simpson's became part of the Hudson Bay group.

Until the recent acquisition, Sears only operated seven units in Canada's premier retail market. Sears didn't operate more stores in Toronto because a 1952 joint venture agreement between Sears (US) and Simpson's Ltd.—which resulted in the launching of Sears Canada—prevented Sears from opening units within 25 miles of a Simpson's. The agreement terminated in 1978, but other retailers had already obtained prime sites.

The acquired stores include Simpson's in the Oakville Place Mall, Fairview Mall, Erin Mills Town Center,

(Continued on page 28)

September Shows Stir Buyers' Interest

Exclusively HBA Expects Record Attendance

NEW ORLEANS — The "Big Easy" is set to welcome some tough customers to the Exclusively HBA show Sept. 12 to 14.

Over 1,000 buyers from discount and drug chains and supermarkets are expected to attend the health and beauty care trade show. For many, this category was a bright spot in an otherwise lackluster retail year.

This is only the second Exclusively HBA show and it has sold out more than 58,000 square feet of actual display space at the New Orleans Convention Center, according to Jay Spaulding, producer of the show. He noted that 6,000 square feet was added to the original floor plan to accommodate late entries.

The distinction of this event is its emphasis on mass retailers. While other types of H&BC trade shows are more directly targeted to

(Continued on page 29)

NHMA Hopes New Name Will Provide Wider Focus

ATLANTA — More than 900 exhibitors and over 10,000 buyers are expected to attend the Lifestyle Expo & Conference, held here Sept. 13 to 15, according to Brian Casey, managing director of trade shows with the National Housewares Manufacturers Association.

Synergies among the housewares, gift and gourmet shows being held simultaneously during the September time slot, is hoped to draw a wider spectrum of buyers and vendors than at an exclusively housewares show, and provide new business opportunities for all concerned.

At the same time, by wedding the three shows; enhancing the straightforward convention with seminars; and renaming the show, the NHMA hopes to break the industry's expectation that the Lifestyle Expo should be as vast as a second "January Housewares Show."

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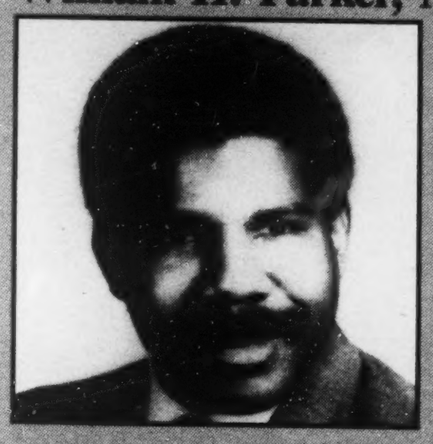
MARKETWATCH

IMRA To Hold Store Planning Meeting

WASHINGTON — The International Mass Retail Association will hold its third annual Store Planning and Design Conference Nov. 20 to 22 at Miami's Inter-Continental Hotel. This year's theme is "Store Planning for Profit." Various seminars will be held, including, "Generating Power Sales through Future Merchandising," "Negotiating for Profit," "Vendor Display/Visual Merchandising for Profit," plus others on design implications of the Americans With Disabilities Act. For info, call (202) 861-0774.

William H. Parker, New Kmart VP



TROY, Mich. — William H. Parker, Kmart's vice president of sales and marketing, last month was named vp of Kmart Corp. and president of Reader's Market. Parker, who joined Kmart in 1989 as vp, sales, now reports directly to William D. Underwood, senior vice president, general merchandise.

Kmart Sold $1 Billion in PERCS

TROY, Mich. — Kmart sold slightly more than $1 billion worth of a new convertible preferred stock called PERCS, an increase from original expectations of about $700 million. Kmart will use net proceeds of $985 million to fund its store expansion and renovation program in the face of tight bank lending to developers who normally build stores and lease them back. Separately, Kmart reported that second quarter operating profits rose 6.4% to $350.6 million from $329.6 in the year earlier period.

Tuesday Morning Testing Catalog

DALLAS — Tuesday Morning, the deep discount closeout chain with 142 units, is testing a closeout merchandise catalog. Already on its second edition with a third edition expected for the end of the year, the catalog features mostly housewares. Senior vp Jerry Smith said distribution is national beyond the chain's markets in 22 states. Separately, the chain just opened four stores—two in Tucson, Az., a new market, Phoenix and Montclair, N.J.

Builders Square To Close Seven Stores

SAN ANTONIO, Texas — Builders Square, Kmart's home center subsidiary, is closing seven units, three in Southern California, and four in Atlanta, home town of arch-rival Home Depot. The closings will reduce store count to 139 from 146, but eight new openings scheduled by year end will raise it to 147.

Jan Bell Calls Off Acquisition

SUNRISE, Fla. — Jan Bell Marketing, the major jewelry supplier to the membership warehouse field, has called off its planned acquisition of Michael Anthony Jewelers, a jewelry manufacturer. The deal failed because of "differences which arose over post-merger operational issues," Alan Lipton, chief executive officer, said.

Price Savers Chain Gets Pace Logos

ENGLEWOOD, Colo. — The logos of the four Price Savers warehouse clubs in Utah were changed last month to Pace Membership Warehouse, inaugurating Pace's planned renaming of the entire 14-club Price Saver chain. The logo changes will be completed by the end of next month. Pace's parent, Kmart, acquired Price Savers last December and merged it into Pace. Twelve Price Savers' will get added fresh produce sections by year's end. Two others, in Washington, will get the program early in 1992.

Tom Peters Elected To Green Seal Board

WASHINGTON — Tom Peters, the best selling author of "In Search Of Excellence," has been elected to the board of directors of Green Seal. The environmental labeling and consumer education organization noted that Peters' election emphasized "the mounting importance of environmental issues to the future of American business." Peters is the founder and ceo of four training and communications companies and the Palo Alto Center for Management Studies, a non-profit group.

Dueling Expositions: Industry Is Split On Back-To-School Shows

By Laura Liebeck

NEW YORK — The divisiveness between the two show groups organizing Back-To-School and home/office products expositions has lessened in recent weeks, but the industry remains split by the infighting.

Despite negotiations between Thalheim Expositions and SHOPA (School and Home Office Products Association) to reconcile their differences and join forces to sponsor one industry trade show, two BTS shows will be held this year just four weeks apart from each other.

Representatives from both organizations said recent talks between the two groups were held to clear the air. The main atmosphere of the talks was positive, both sides agreed, but they failed to resolve many of their differences.

As a result, the possibility of the groups combining show efforts is unlikely before 1993. The SHOPA board is likely to vote later this month to contract with InterBev, show managers for its 1991 show, to manage the second one as well, in 1992, said Gary Kibler, SHOPA's executive vice president.

Proceeding with separate events, the organizers of both shows say they are confident they will satisfy the needs of exhibitors and buyers. They also say they are enthusiastic about the response they have gotten to the different approaches they have set for their events.

No buyer attendance data is available yet since the shows are still more than a month away. Manufacturer participation lists are incomplete, too, so it is still unclear exactly who is going where.

Kibler feels most vendors will choose one show to attend, while Henry Dicker, show manager for Thalheim, expects more crossover between the shows.

The first of the two shows will be sponsored by Thalheim Expositions, Manhasset, N.Y., the organizer of the Back-To-School Merchandise Show for the last 10 years. Thalheim will hold the 11th annual show in Chicago this year at McCormick Place's North Hall, Nov. 12 to 14.

The industry's new show is being sponsored by SHOPA, its six-month-old trade association. That event will be held in New Orleans at the convention center, Dec. 11 to 14.

Both shows will have approximately the same amount of exhibition space, although the gross square feet will differ. Thalheim Expositions has reserved 150,000 gross square feet for its show. As of early August, 520 exhibitor booths were reserved and 700 are anticipated, said Dicker. SHOPA has 201 exhibitor companies signed up in space that could run as high as 237,000 gross square feet.

SHOPA has attracted the "big guns" in the BTS industry, namely Mead (2,700 square feet of booth space) and Stuart Hall (2,400 square feet, excluding 1,000 square feet for Lisa Frank licensed products). Other exhibitors occupying more than 1,000 square feet of booth space at the SHOPA show include Pentech, Esselte Pendaflex, Faber-Castell, Fellowes and Norcom.

Among Thalheim's big-name exhibitors are ACCO, American Greetings, K&M, Dennison, Eldon/Rubbermaid and Pentech, said Dicker.

Because of their timing, both shows are intended to be buying events. The similarities end there.

The Thalheim show will feature two seminar programs, including one which is being sponsored by *DSN*, and will be held on Wednesday, Nov. 13, at 8:30 a.m.

SHOPA will have no seminar programs and no show daily. It will have some "then" and "now" exhibits which will feature office equipment and supplies in offices of the past and of today.

During SHOPA, the trade group will also hold its first yearly meeting on Saturday morning.

Ames Sales Fall Short; May Affect Credit Talks

ROCKY HILL, Conn. — Ames disclosed that it will fall short of its predicted sales and earnings goals for 1991, but said it cannot predict how the news will affect negotiations with creditors about a plan to emerge from Chapter 11.

Now operating 448 stores, Ames said in a filing with the Securities and Exchange Commission that soft back-to-school sales means it won't achieve its predictions of $3.14 billion in sales and $21.6 million in earnings before interest and taxes for the year ended Jan. 25, 1992. Ames declined to make any new sales and earnings predictions.

The chain is reviewing the impact of the shortfalls on its previously announced five-year business plan, and warned that projections should not be relied upon.

Chairman and chief executive officer Stephen L. Pistner said that Ames has made significant progress over the year, despite disappointing sales. "In the first quarter alone, Ames cut its net loss, before restructuring charges, by $158 million from last year," Pistner said.

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EDITORIAL

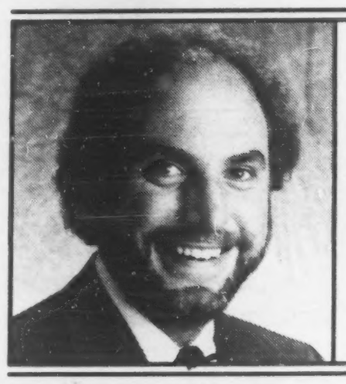
Clubs Beware: A Lesson Looms in NE

As previously reported in *DSN*, the explosive growth of the warehouse club segment that took place in California just a few years ago, will soon be duplicated in several states in the lucrative Northeast corridor.

An area worth watching is northern New Jersey because what occurs here is likely to occur elsewhere in the region. There may well be a lesson waiting to be learned.

Contrary to conventional wisdom, this market *is* different. And Price Club, which is opening in late September in Wayne, N.J., and Sam's Club, which is opening later this year in Paramus, N.J., will quickly discover the differences.

This New York suburb is one of the most densely populated areas in the United States. It has one of the highest income as well as one of the lowest income areas and it has a plethora of small businesses which exist at virtually every corner. The bad news is that it is one of the most competitive markets that the warehouse clubs have ever faced. And it houses some of the nation's most sophisticated, demanding and fickle consumers and business people.



TONY LISANTI
Editor

A strong competitor the warehouse clubs will face are the many convenient, aggressive, well-established supermarket chains such as ShopRite, operated by the Wakefern Food Corp. ShopRite has begun to merchandise large size and multipacks at sharp prices. In a recent circular, a variety of "giant-sized values" were promoted including a 120-ounce container of Downy Liquid priced at $3.99; the same item sold at Sam's for $4.49. ShopRite has also formed its own membership club called "Price Plus." This club enables customers to receive additional savings on selected products.

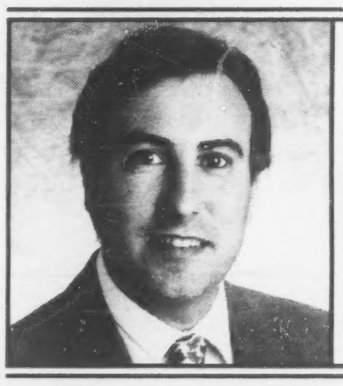
Does this mean the clubs will not be successful in the Northeast? No, but they will face their greatest challenge to date, particularly among the individual member, which comprises a bigger, more important constituency than many club execs care to admit. It will take some creative merchandising and even more aggressive pricing for them to grab a slice of the pie.

BUYERS & SELLERS

SPARC Promotes Partners In Progress

Last month's Supplier Performance Awards by Retail Category (SPARC) banquet drew a record crowd of more than 500 retail and manufacturer executives.

Among numerous special guests in the audience were Robert Floum, president of Fisher's Big Wheel, Warren White, general manager of Clover and chairman of the International Mass Retail Association, Joe Nusim, president of Channel and longtime SPARC supporter at Jamesway and Makro, Dan Ferguson, vice chairman of Newell Cos., five Wal-Mart associates who shared the Discounter of the Year award spotlight with president David Glass, and, Sam and Helen Walton.



DON LONGO
Exec Editor

Sam Walton was the first recipient of *DSN's* Discounter of the Year award at the inaugural SPARC banquet in 1978. Discounting has come a long way since. Not the least of the changes has been in the way retailers and suppliers work together to enhance one another's success.

Wal-Mart is a perfect example of this change. More than one supplier can relate old stories of making the trek to Bentonville and being "beat up" by a Wal-Mart buyer for what the supplier felt were unrealistic concessions.

Today, while far from perfect, Wal-Mart has been a leader in forming the types of true partnerships that involve sharing and communication with the ultimate goal of promoting the long-range success of both the retailer and its suppliers.

For 14 years, SPARC has promoted retailer-supplier partnerships. *Discount Store News* is proud of the positive impact this unique program has had on fostering relationships between retailers and manufacturers.

P.S.: To the reader who left the anonymous message on my answering machine: The Thalheim-sponsored Back-to-School show was held last February in New York. As I reported in my Aug. 5 column, that annual event has been moved to November in Chicago, beginning this fall. I don't usually respond to anonymous callers, but, in this case, I feel obligated to make sure our readers know the correct show dates.

TAKING STOCK

Future Shop: One-Stop Discount Supercenters

Let's look at how the purveyors of the discount store of the future are shaping up.

The concept, in case you didn't know, is the supercenter format, typically a 150,000-square-foot store that combines food and general merchandise in a one-stop shopping experience. A hypermarket is a large helping of a supercenter.

While Wal-Mart and Kmart agree that supercenters *are* their store of the future, the concept is ancient for such merchants as Fred Meyer, Laneco and Meijer. They have successfully operated combination stores for decades as regional retailers, absent the various means necessary for national growth.

The import of Wal-Mart and Kmart embracing the format is the national rollout of their supercenters by the mid-'90s and the resulting impact the two discounters will make on food retailing and the sociology of shopping in general. By the turn of the century, one-stop shopping for most of a consumer's basic needs will likely be the norm, rather than the current practice of separate trips for groceries and general merchandise.

The two discounters' expansion will even envelop small rural communities, the same hamlets that Wal-Mart brought discounting to in the '60s and early '70s, after other chains, including Kmart, said it couldn't be done. This time, Kmart, as well as Wal-Mart, will be serving up supercenters in these small towns.

ARTHUR MARKOWITZ
Senior Editor

In the ongoing evolution of the discount store of the future, Wal-Mart is ahead of Kmart on the learning, development and deployment curve for supercenters. The reason: Wal-Mart's past intensive effort to learn about the food business, in particular how to distribute perishables as efficiently as it now does general merchandise. That drive was a factor in last year's purchase of McLane Co., a major food distributor, and a step to the discounter's operating its own food distribution centers.

Wal-Mart has tested different-sized supercenters and will have 11 such stores by the end of the year, with at least another half dozen planned for 1992—and then the deluge.

Kmart's learning curve emulates Wal-Mart's experience, including starting out by using a food wholesaler. Look for Kmart, now with three supercenters, to eventually run its own food DCs as it spreads these stores across the country.

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Targeting the male shopper

Many men who used to shop at department stores have become specialty store shoppers, a fact that comes as no surprise to merchants at The Gap and Merry-Go-Round.

Everyone knows the old retailing maxim "Give the lady what she wants." But how does that apply to men? After all, they represent a significant portion of the apparel-buying public.

What does the male apparel customer want? How does he shop? When? Where? Why? Have his shopping patterns changed over the last five years?

According to an exclusive study undertaken in July by the Gallup Organization for *Apparel Merchandising*, based on a nationally representative sample of 500 men, men shop for clothes in many different kinds of stores. Although the choice of outlet is most often a department store, personnel at that traditional source of apparel have their work cut out for them if they want to maintain this position.

The study asked respondents to contrast their current shopping patterns with those of five years ago. The results indicate that men used to shop in department stores significantly more frequently. Thirty-two percent of the respondents say they most often shop for their clothes at department stores. However, 38 percent indicate that department stores were their top choice in 1986.

Many of those customers apparently have become specialty store shoppers, a fact that probably comes as no surprise to merchants at such chains as The Gap, Merry-Go-Round and County Seat. As might be expected, young men in particular appear to be attracted to those outlets. Approximately 38 percent of the 18- to 24-year-old participants say they most often shop for their apparel at specialty stores.

When that group was asked where they shopped five years ago, only 10 percent named specialty stores as their outlets of choice. Men between 25 and 34 are similarly inclined. According to the study, 35 percent of the participants shop in specialty stores most often. Considerably less, 26 percent, of the group say specialty shops were their clothing outlet of choice five years ago.

The number of men choosing discount stores as their primary source of apparel has remained steady over the past five years, the study shows. About 18 percent of the male shoppers say they most often shop for apparel at discount stores. Twenty percent note they most frequently shopped at those outlets for clothing five years ago.

Retailers at times go to great lengths to build a loyal men's wear customer, and according to the study, that is what they will have to do in today's market.

Only 16 percent of the men queried say they typically buy clothing at one store they consider a favorite although 27 percent make their purchases at "two or three" favorite stores. However, the majority, somewhat more than 50 percent of those involved in the study, say they shop at "many different stores" for apparel.

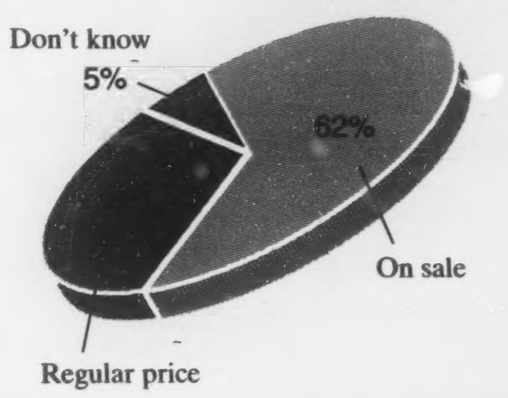
The East is the most competitive region for retailers, the study indicates. More than 59 percent of the men in this heavily saturated area are fickle when it comes to choosing a men's wear destination store.

Store loyalty is perhaps best established in the West, where 34 percent of the men frequent two or three favorite stores for their apparel purchases.

Male apparel shoppers may be runarounds when it comes to store loyalty, but they apparently aren't frivolous in regard to spending. Less than one-fifth, 19 percent, of those queried describe themselves as impulse apparel shoppers, while nearly eight in 10, 79 percent, say they buy articles of clothing only when needed. It's no surprise that those in the higher-income group, with family incomes in excess of $40,000, tend to be more likely to describe themselves as impulse shoppers. ►

Most men buy on sale

(Do you buy clothing more frequently on sale or at regular price?)



Source: The Gallup Organization for *AM*.

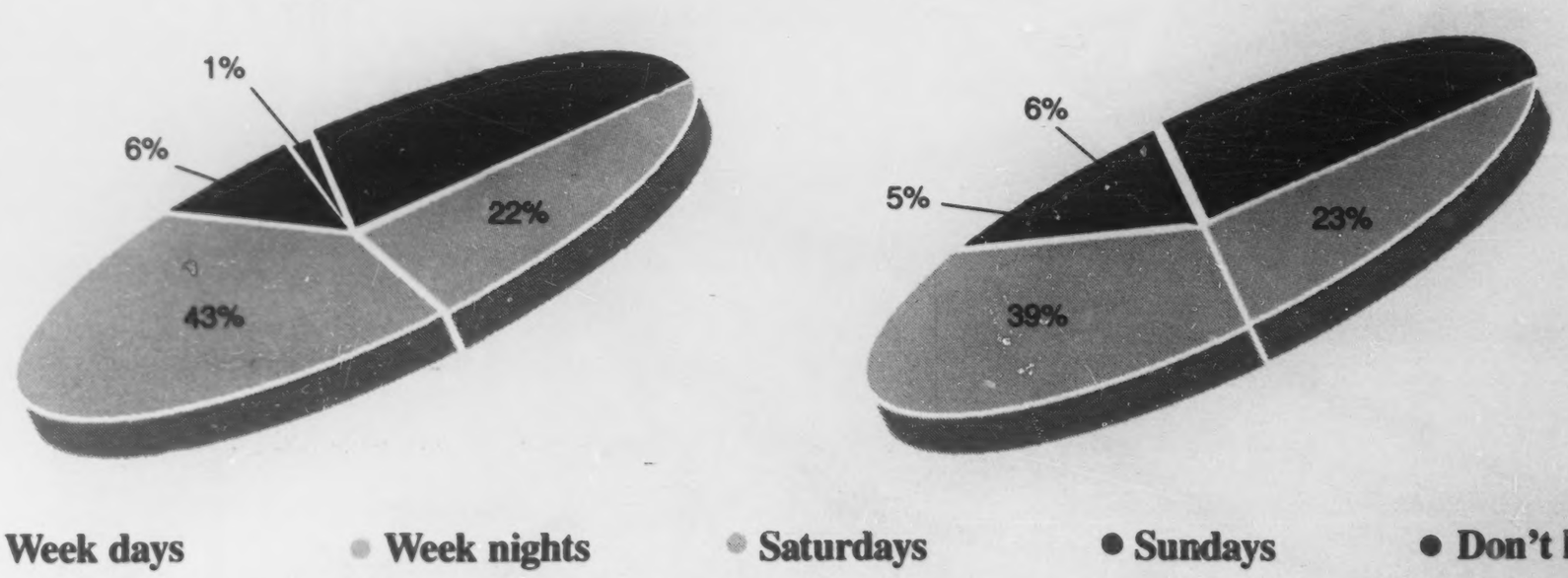
Department stores lost ground over the past five years

Where do you most often shop for clothes? Now? Five years ago?	Total 91/'86	18-24 '91/'86	25-34 '91/'86	Age 35-49 '91/'86	50-64 '91/'86	65+ '91/'86	Under $20K '91/'86	Income $20K-$39.9K '91/86	$40K+ '91/'86
Department store	32%/38%	32%/48%	31%/39%	33%/34%	34%/41%	31%/28%	29%/32%	34%/39%	35%/43%
Specialty store	25/20	38/10	35/26	22/26	11/12	18/19	18/11	23/18	31/29
Discount store	18/20	5/11	18/25	21/20	25/23	18/17	25/27	23/27	10/9
Sears	10/10	11/12	11/6	8/9	13/13	11/11	7/8	12/10	11/9
Catalog/mail order	4/5	8/8	1/1	4/5	5/5	5/7	5/8	3/3	3/1
Off-price store	3/2	2/7	2/1	5/2	4/2	—/—	3/5	1/1	5/3
Montgomery Ward	1/1	3/4	—/1	1/1	1/1	1/1	—/2	2/1	1/2
Other	5/3	—/—	2/1	5/3	7/3	10/11	10/4	2/1	3/4
Don't know	2/1	1/—	—/—	1/—	—/—	6/6	3/3	—/—	1/—

Source: The Gallup Organization for *AM*.

There's been a shift toward more weekday shopping

(When do you shop? Now? Five years ago?)



Source: The Gallup Organization for *AM*.

Young men are more likely to buy on impulse

Would you describe yourself as an impulse shopper, or do you buy clothing only when needed?	Total	Age 18-24	25-34	35-49	50-64	65+
Impulse shopper	19%	37%	23%	19%	8%	8%
Only when needed	79	63	76	80	90	86
Don't know	2	—	2	1	2	6

Source: The Gallup Organization for *AM*.

About 22 percent in this group state that they are impulse men's wear shoppers, while only 15 percent of those with less-than-$20,000 a year incomes describe themselves that way.

In addition, men frequently buy items on sale. Sixty-two percent say they usually purchase marked-down merchandise. However, a substantial number of male shoppers also are willing to pay full price. Almost a third, 33 percent, buy regular price items more frequently than sale price items. It's no surprise that younger men — often fashion shoppers — are most likely to pay full price. Nearly 45 percent of the 18- to 24-year-olds frequently buy at regular price, while 42 percent in the 25- to 34-year-old group have similar buying practices.

Middle-aged men, who often have a lot of financial responsibilities, such as mortgages, are least likely to buy at full price. Only 23 percent of the 35- to 49-year-olds and a quarter of the 50- to 64-year-old representatives frequently buy apparel at regular price.

It is interesting to note that the highest income group, with household earnings of $40,000 or more annually, are most likely to buy on sale. More than two-thirds, 67 percent, of those shoppers frequently do so. Only 59 percent of the respondents in under-$20,000-a-year households buy on sale, and 58 percent of those in the $20,000-to-$39,900 group usually do.

Regardless of what price men's wear customers are willing to pay, a significant portion of them will make their purchases during the weekend, usually on a Saturday. Almost 44 percent of the men queried say they generally shop for their clothes then. Thirty-nine percent note Saturday is their shopping day of choice, while 5 percent pick Sunday.

However, many also shop during the week. Twenty-seven percent browse for men's apparel during the week day, and 23 percent say they would cruise the stores week nights.

Young men are more prone to make the shopping scene on Saturday, while older consumers tend toward middle-of-the-week expeditions. Approximately 53 percent of the 18- to 24-year-olds shop on Saturday, while 48 percent of the 25- to 34-year-old group go to the stores during that time period. The number more or less holds for 35- to 49-year-olds; 44 percent of that group shop on Saturdays. However, only 32 percent of the 50- to 64-year-old group shop on Saturday. The number plummets for the 65 or older men's wear customers. Only 6 percent of those shoppers look for men's wear on Saturday. Conversely, 66 percent of the seniors shop for men's wear during the week.

Those shopping patterns have changed only slightly over the past five years. According to the study, weekend shopping has declined somewhat. About 49 percent of those questioned say they shopped on weekends for men's wear in 1986.

To assess the proportion of disposable income men spend on apparel for themselves, the study asked participants to quantify the amount they would spend on clothing if they had $100 to use for anything they wanted.

With the exclusion of responses from men who indicate they wouldn't use any of the $100 on clothing, the average amount of money that the group says it would spend for apparel is $57. That figure is a bit higher than it might have been in the past. When the participants in the study were asked how much they would have spent five years ago, the average response was $54.

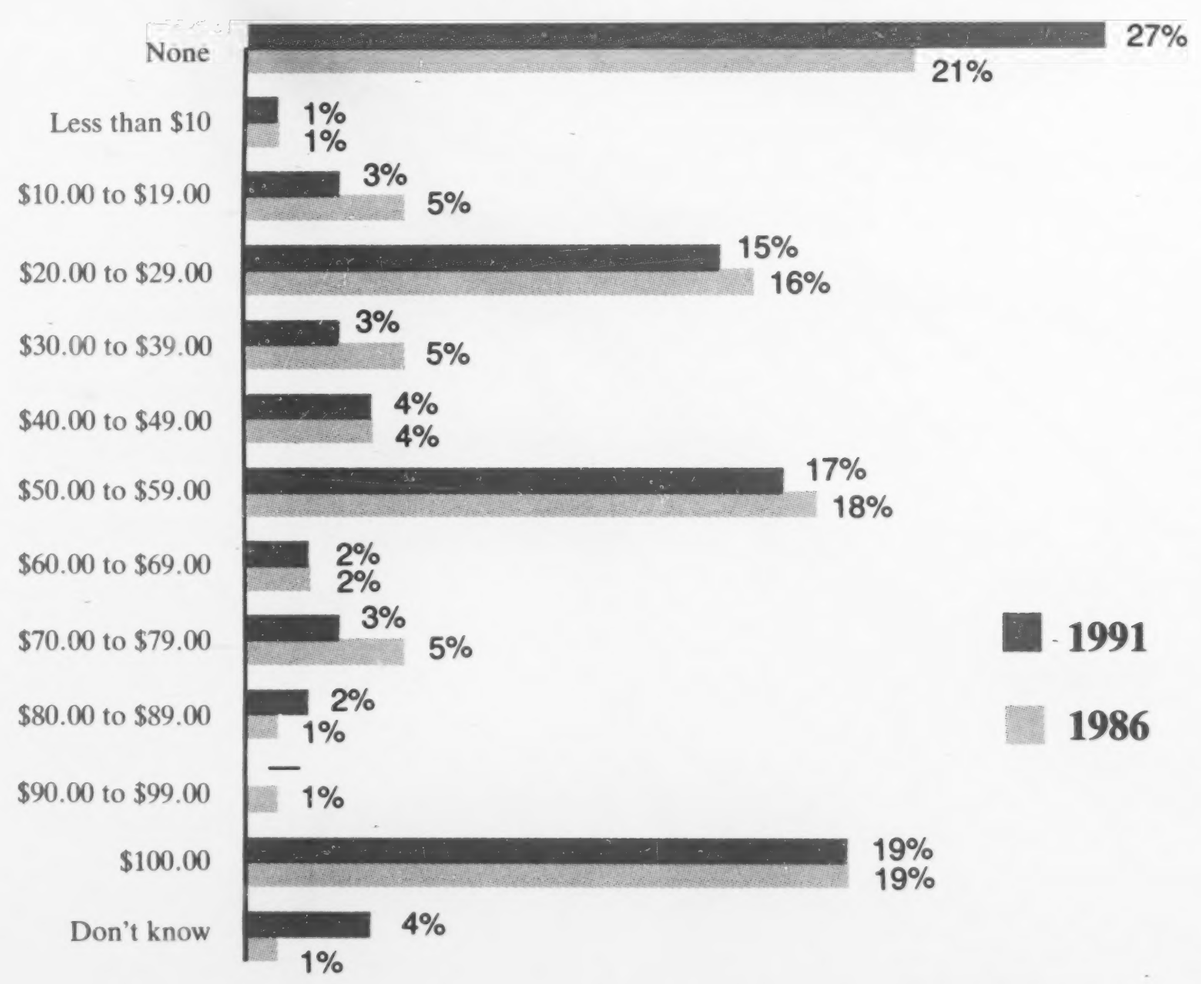
The study also implies that selling strategies aimed at average- and lower-income consumers may be easier to execute than plans to capture the dollars of the well-to-do. The amount of money shoppers in the $40,000 or more households would spend is considerably less than what the men in lower-income groups would spend. The mean amount the highest-income group participants say they'd spend on apparel is $50. Those in the $20,000-to-$39,000 range note that on average they'd spend $57 dollars, while men in households with incomes of less than $20,000 indicate they'd spend $66 dollars of the imaginary $100 on men's wear.

A further indication that the more affluent men's wear shopper has reached the buying saturation point is the fact that nearly a third, 33 percent, of them say they'd buy no apparel with an extra $100. Only 21 percent of the men in the under-$20,000 group and 27 percent of those in the middle group indicate that they'd eschew apparel purchases.

The demographics and preferences of the men's apparel customers frequently vary. Retailers and manufacturers who establish a men's wear niche and market accordingly will undoubtedly increase their chances of success. ◢

Almost a fifth, 19%, would spend an extra $100 on apparel

(Suppose you had $100 to spend on anything you want, how much of the money would you spend on clothing for yourself? Now? Five years ago?)



Source: The Gallup Organization for *AM*.

Weekly shopping expeditions waned as baby boomers aged

How often do you shop? Now? Five years ago?	Total '91/'86	Age 18-24 '91/'86	25-34 '91/'86	35-49 '91/'86	50-64 '91/'86	65+ '91/'86
Once a week or more	4%/6%	10%/8%	7%/13%	1%/4%	3%/5%	—/—
Two or three times a month	10/9	20/6	14/13	10/9	2/3	2/14
Once a month	12/12	13/13	18/19	7/8	12/10	11/11
Every two months	32/26	34/25	30/22	39/34	31/27	22/18
Twice a year	29/28	16/24	20/16	34/32	40/34	30/29
Once a year	9/10	5/14	9/6	6/6	9/12	22/19
Less than one a year	2/5	3/8	2/9	1/4	4/4	3/—
Don't know	2/2	—/—	—/1	3/3	1/3	11/7
Didn't shop for clothes five years ago	2	3	1	1	2	3

Source: The Gallup Organization for *AM*.

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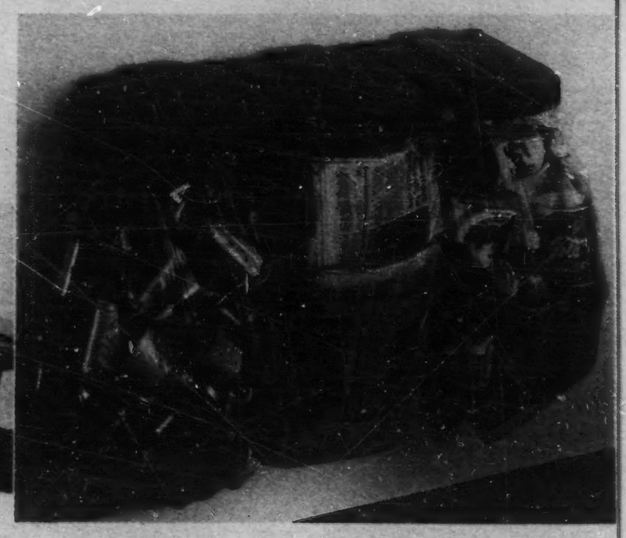

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Discount Stocks Soar, Despite '91 Recession

Nationwide DSN Report

Discount stock issues have turned from frogs to princes since the first of the year.

With recession still taking its toll on consumer confidence, Wall Street expects shoppers to turn in even greater numbers to discounters over the next year and have bid up their stocks accordingly.

Since the end of 1990, stocks of 25 publicly traded discounters have soared 90% or more—19 of them more than 100%.

That group doesn't include the three largest discounters, Wal-Mart, Kmart or Target's parent, Dayton Hudson.

Ranked for its stock performance since the beginning of the year, Wal-Mart stood No. 30 on the list of discounters, with a gain of "only" 64%. Kmart stood No. 34, with an increase of 52%, while Target parent Dayton Hudson was No. 40, having a gain of 29.7%.

Those gains were two or three times the 14.84% gain in the Dow Jones Industrial Average. But they paled in com-

(Continued on page 91)

DSN Index Surges

	12/30/91	9/19/91	% Gain
DSN Index	1,218.77	2,176.38	78.57%
Value Line	195.99	241.08	23.01
NYSE Composite	180.49	212.74	17.87
Standard & Poor's	330.22	387.56	17.36
Dow Jones	2,633.66	3,024.37	14.84

Source: Nordby International

Valley Forge, Pa.: *Best Products' new 'diamond' prototype is expected to be rolled out to about 15 stores a year for the next five years.* (DSN photo)

Best Previews Its Look Of the Future in New 'Diamond' Prototype

By Richard Halverson

VALLEY FORGE, Pa. — An increased emphasis on jewelry in its new prototype is one aspect of Best Products' attempt to give its aging retail format a sharper image.

Along with establishing a dress code that requires appropriate business attire for women—no jeans, and a shirt and tie for men—no long hair or earrings—Best went to Disney to design a six-hour, employee training course on how to serve the public better.

Disney, of course, takes the approach that a retail store is a theatre and its employees are performers.

What that means is that each associate "takes care of the needs of customers and doesn't send them somewhere else," said Dick Riley, sales and marketing vice president.

Riley came up from Richmond, Va., headquarters one Saturday last month to videotape the new Best look so all 14,000 employees could see for themselves what's to come over the next five years.

Best "guarantees that customers will leave happy," Riley said during a tour of the newly renovated Valley Forge store prior to its grand re-opening Sept. 27.

The Valley Forge store, untouched and worn out since it

(Continued on page 92)

Alexander's Revamp Gains Speed

By Jill Lettich

NEW YORK — Alexander's is getting a two-year, $7 million facelift that began earlier this summer when point-of-sale scanning was rolled out to three unconverted units.

Even more important for the 12-store regional chain are changes in the store's approach to hard lines and the addition of a number of categories to the chain's merchandise mix.

These are the first significant signs of change since Stephen Goldberger joined this highly promotional department store retailer as president earlier this year.

Goldberger was formerly chairman of Hill's, but left that ailing Northeast chain in December of 1990. He joined Alexander's in June.

The changes, expected to be implemented through next spring, are taking three forms: alterations in the configuration of Alexander's selling floor; new fixturing; and an overhaul of the chain's merchandise flow system. Goldberger said the store's aim

(Continued on page 91)

Alexander's, New York: *Installation of POS scanning was the start of a two-year, $7 million renovation for the retailer.* (DSN photo)

Kmart Stays on Road to Renewal

By Tony Lisanti

NEW YORK — The road to renewal for Kmart Corp., which began about two years ago with a new prototype and strategy, appears to be on course, quelling uncertainty and raising optimism among the financial community.

"The renewal and reinvigoration of Kmart is very much on target," chairman, president and ceo Joseph Antonini said in a speech last week to the New York Society of Security Analysts. "In fact, in this year's generally gloomy economic and retail environment, the Kmart story is filled with good news and good numbers."

Antonini, who last spoke to this influential group in 1988, expects about 700 of all Kmart stores will have the new prototype look by year-end.

He also said that he expects Kmart "to meet and to exceed" the sales goal of becoming a $50 billion company by 1995 with 30% of sales generated by the Specialty Retail Group. (The SRG includes Pace Membership Warehouse clubs, Waldenbooks, Builder's Square, Sports Authority and Pay Less Drug Stores.)

Despite surprise by some analysts interviewed, the original five year plan has not been revised.

Antonini said that Kmart is still committed to invest $2.5 billion to update all 2,200 Kmarts; to become more cutting edge, on-trend merchants, but not upscale; to form new, solid partnerships with customers, suppliers and communities, and to utilize the latest technologies (see story, page 2).

Antonini denied that the close to $1 billion raised recently from the sale of PERCS will be used to fund a major acquisition.

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MARKETWATCH

Kmart to Occupy Former Bloomingdale's

NEW YORK — Kmart has signed a lease for the old Bloomingdale's store located in the Fresh Meadows Shopping Center in the borough of Queens. It will be the company's second store in New York, joining an aging location in Staten Island. The location is 150,000 square feet on two levels. In addition to some 250,000 square feet of other retail space, mainly small shops, the site includes apartment buildings that contain 3,287 apartments.

Antonini to Deliver Keynote at Seminar

PITTSBURGH — Kmart chairman Joseph Antonini will deliver the keynote address opening QuickResponse 92, the retailing technology seminar and show that will be held March 17 to 18, 1992, at the Hyatt Regency Chicago hotel. Antonini, in his address, "Forming Quick Response Trading Partnerships: The Key to Maintaining a Competitive Edge," will discuss how QR partnerships aid retailers and vendors. QR 92 is co-sponsored by AIM USA and VICS, with info available from AIM, (800) 338-0206.

Wal-Mart Seeks Approval for Sam's Site

MEDFORD, N.Y. — Wal-Mart is seeking planning board approval for its first Sam's Club on New York's Long Island. The 134,900-square-foot warehouse club would be built here on 19 acres, with space for an adjacent Wal-Mart. Price Club has two clubs on Long Island, and BJ's is seeking approval for its second club there. Pace Membership Warehouse doesn't have any current plans to open on Long Island, but has clubs set for metro New York in White Plains, N.Y., and Paramus, N.J., which is also getting a Sam's next year. Also in New Jersey, Wal-Mart has signed a lease for a 145,000-square-foot building in East Brunswick for either a Sam's or a discount store.

IBM Develops New Plug'N'Go Software

WHITE PLAINS, N.Y. — IBM and its software vendors have developed software programs called Plug'N'Go for specific businesses and applications that are installed as part of the operating system in IBM's new low-cost entry model Application System/400 business computer. Retail Interact, based in Sacramento, Calif., has developed The Basic Retailer Plug'N'Go, that enables a single or multistore retailer to manage its operation right after starting up the computer.

Directory Offers Disaster Recovery Info

NEWTON HIGHLANDS, Mass. — Retail Systems Alert and The Systems Audit Group have issued an 85-page directory listing hundreds of companies that provide disaster recovery services and equipment for retailers' information systems departments. The companies and services include renting equipment and mobile space, recovery of data from damaged disks, firms specializing in disaster clean-up, guard services and training companies. The directory can be ordered from Retail Systems Alert, (617) 527-4626.

TJX Eyes Increasing Zayre Reserves

FRAMINGHAM, Mass — TJX Cos. said it may have to increase reserves already set aside to deal with the aftermath of the Zayre/Ames sale. TJX still holds leases on a number of Zayre stores. A real estate slump may require additional reserves of between $20 million and $70 million, according to industry estimates. TJX confirmed it was a possibility, but a spokesman emphasized that "at this point we cannot assess whether or not it will be necessary. There are many unknown factors." TJX is the parent of T.J. Maxx, Hit or Miss, the Chadwick's of Boston catalog and the Winners Apparel chain in Canada. TJX Sales for the 30 weeks ended Aug. 31 increased 13% to $1.5 billion.

FOR THE RECORD

In a recent article about the accelerating pace of Bradlees store remodeling program, *DSN* erred in stating that the chain had closed the first two remodeled stores during renovation. In fact, Bradlees kept open both of the stores, Bordentown, N.J. and Broomall, Pa., doing most of the construction at night.

Natural White, a tooth whitening product from Nuna International Corp., is manufactured in the United States, with about 95% of its distribution in the United States. Though Nuna is based in Aurora, Ontario, Canada, Natural White was misidentified as a Canadian brand in the Sept. 2 issue of *DSN*.

Ex-Target Execs Join Rose's

New Chain President Brings Freeman, Byers on Board

HENDERSON, N.C. — George Jones, recently named president and chief executive officer of Rose's Stores, has brought on board two of his former Target colleagues.

Kevin Freeman is now senior vice president of store operations at Rose's, and Phil Byers is the chain's director of real estate. Like Jones, both men were previously with Target stores. Freeman left his post as senior vp, regional operations in the Minneapolis area, the chain's largest region with 117 stores and combined annual sales volume of $2.5 billion.

Byers had been national property manager for the discount giant.

Rose's, which has faced rising pressures from creditors and apparel factoring companies to arrive at a plan of action that would turnaround soft sales and tumbling profits, has been closing stores and realigning management since the start of the year. Rose's now operates 232 stores in 11 Southeastern states.

Kmart Tests Customer Tracking System

By Arthur Markowitz

TROY, Mich. — Kmart chairman Joseph Antonini's commitment to using the newest technology to improve the discounter's operations has resulted in the chain becoming the first retailer to test an innovative system that tracks customer traffic within a store.

The discounter is now conducting a two-month test of the technology, the ShopperTrak system developed by Datatec Industries, in its Westwood, N.J., store.

The ShopperTrak technology, which is awaiting patent approval, uses infrared light to capture movement through a designated area like a store's entrance or a department. The technology can differentiate customers from shopping carts and can even determine the height of the shopper to identify an adult or child.

The standalone system, which doesn't interfere with store traffic, uses small unobtrusive overhead sensors that contain just three components—an optics, a logic and a collection section.

Datatec president Christopher J. Carey said Antonini read about ShopperTrak in *BusinessWeek* and had Kmart's Corporate Information Systems department arrange for the test. Payless Shoe is also planning to test the technology, he said, and discussions are underway with other retailers.

"Fast, efficient customer service is the primary reason Kmart is testing this new technology," Antonini said.

The pilot program, to run through mid-November, will track the number of customers entering the store and where they go—down the central promotional aisle or to the right soft lines area or left hard goods section.

At least 11 infrared sensors, eight that are mounted at the entrance and one in each of the three main aisles, will be used to capture this information.

Datatec will also manually count customers entering the store at various times to gauge the technology's accuracy.

Based on the current test, Kmart will then decide on whether to expand the effort by mounting sensors in individual departments to obtain specific information on shopper traffic in each area. This step would like take place next summer.

The initial effort costs about $50,000, shared by the two companies. A primary sensor costs $1,000 on a single unit basis, and it can control up to 16 secondary units, which cost

(Continued on page 92)

DSN, Deloitte & Touche Plan Mexico Study Tour

NEW YORK — A special study tour and seminar on the opportunities for business growth in Mexico has been announced by *Discount Store News* and Deloitte & Touche, co-sponsors of the event. It will be held Feb. 21 and 22, 1992 at the Westin Camino Real in Mexico City.

The program, created exclusively to inform top executives from U.S. retailers and manufacturers about the growth potential in Mexico, will include store and factory tours, an overview of Mexican retailing, the economic outlook and the political environment in Mexico.

For reservations and more information, contact: Tony Lisanti, (212) 756-5105 or by fax (212) 756-5125.

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EDITORIAL

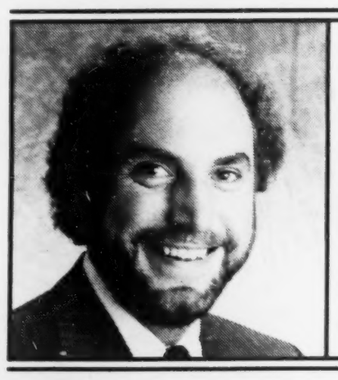
Learning to 'Give Something Back'

"Giving something back makes all of us better."

I don't expect every reader to know the origin of this quote, but this statement not only exemplifies an important dimension of the discount industry often overlooked, it should also have a special meaning to everyone.

While it's the theme of Kmart's 1990 community service program, it also represents hundreds of examples of community involvement among discount retailers nationwide. *DSN* estimates that discount retailers raise over $1 billion annually for a wide variety of projects that range from United Way to Invent America! to Toys for Tots.

It's important sometimes to forget for a minute the pressure to boost sales per square foot or open a new store. To forget for a minute the challenge to reduce, shrink or speed up processing at the check-out lines. To forget the frustration to minimize employee turnover or maintain a strong daily in-stock position.



TONY LISANTI
Editor

Instead, I encourage everyone to think about another aspect of the retail business. Think about the communities you serve. Think about the customers who shop your stores. Think about the poor, the needy, the homeless, the handicapped, the illiterate. Think about the children, the elderly, the families. Think about all the people you can help. Think about what you can give back.

With its annual sponsorship of the DISC (Discounter in Service to the Community) Award, *DSN* recognizes every retailer that has given something back to the communities they serve. Begun in 1979, the DISC Award is the only industrywide award of its kind. And this year *DSN* has expanded the DISC program in order to honor more retailers who deserve to be recognized for their community service efforts.

For the first time, *DSN* has established three DISC categories based on overall sales volume: more than $1 billion; $500 million to $1 billion; and less than $500 million.

The criteria for the DISC Award includes: breadth and scope of programs; corporate participation; individual participation; store level promotions; cooperation and support of community; development of special events; and creativity of special promotions. Judges rate each entry based on a point scale, and the retailer scoring the most points in its respective category is selected as a recipient of the DISC Award.

This year's recipients—as announced on page 14—are:

- **Over $1 billion Category—Kmart**. The Troy, Mich.-based discounter, with the highest overall score, lived up to its slogan. Its programs were diverse and creative, and more importantly, made a difference in the lives of thousands of people throughout the United States.
- **$500 million to $1 billion category—Dollar General**. Described as the "department store for America's poor," this chain has become a champion of the undereducated. Inspired by its founder Cal Turner Jr., Dollar General has created and supported a variety of educational programs such as GED/Learn to Read and Project Pencil.
- **Under $500 million category—Alexander's**. This small, regional discounter, whose flagship store is across from Bloomingdale's in New York, created The Retail Academy. Its purpose was to give high school students information about retailing and prepare students for employment.

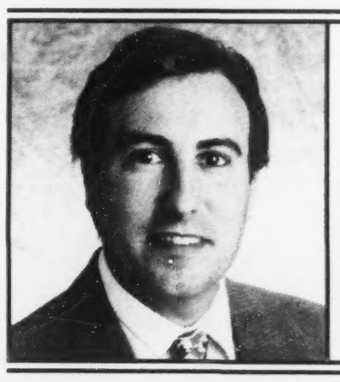
Congratulations to Kmart, Dollar General and Alexander's. And congratulations to every retailer who has taken the time to "give something back."

BUYERS & SELLERS

Discounters Well Set to Capitalize on Recovery

The stock prices of public retail companies have been climbing like crazy since the first of the year. Nineteen public discount retailers tracked on *DSN's* stock analysis table have seen their price per share more than double in the past nine months (see story, page 1). Clearly, Wall Street analysts expect recession-weary shoppers to turn to discount stores in greater numbers.

There's no faulting their logic. In fact, I agree that eventually—i.e., when the recession is really over—discounters will be the main beneficiaries. But so far, according to retailers I've spoken with, there's been little evidence of any significant upturn in consumer spending at discounters, or at any retailers for that matter. Sales have been soft, and that's against not very difficult comparisons from a year ago.



DON LONGO
Exec Editor

Nevertheless, the run-up in discount retail stocks since January has been phenomenal. 50-Off Stores, the Texas-based off-price apparel chain, was up 500% during the period between Dec. 31, 1991, and Sept. 19, 1991. Imagine if you had purchased 100 shares of the stock in December for $575. Your investment would have grown to $3,450, in just nine months!

Best Buy and The Good Guys, each representing distinctly different ways of retailing consumer electronics products, gained 333% and 230%, respectively.

Venture is flying high since its spinoff from the May Department Store company, and Office Depot appears to be shaping up as the Wal-Mart of the office supply megastore industry.

What happened to Wal-Mart's stock price? Most analysts consider the company to be a core holding in any retailing portfolio. Well, 29 discount retail stocks have climbed higher, in percentage, this year than the Bentonville, Ark., giant. But don't start feeling sorry for all those retired Wal-Mart associates in small towns living on the paper they accumulated through their employee stock purchasing program. Wal-Mart stock has climbed 64% since January, a nice return on any investment.

Perhaps if Donald Trump had invested in discount retail stocks instead of casinos and airlines, he wouldn't have to shop at Kmart for his son's school supplies. Then again, maybe Kmart is really making headway in its effort to upgrade its image. Chairman Joe Antonini certainly sounded upbeat during his presentation to security analysts in New York last month. It's heartening to hear that the discounter is right on track with its remodeling program. And, speaking of stock price gains, Kmart has seen its own stock climb a Wal-Mart-esque 52% in 1991.

Another indication that Wall Street's optimism in discounters is well-placed: plans for a luxury mall on New York's Long Island featuring new Nordstrom and Neiman-Marcus department stores have been scrapped in favor of a scaled down shopping center featuring a Price Club.

The new plans for the center, owned by Fortunoff, the home furnishings department store, speaks volumes about the state of Long Island's retail climate in particular, and consumer spending in general. A civic association official summed up the reasons for the change in plans. "The surrounding community would rather have a mall where they could shop, not look."

When consumers are ready to stop looking and start shopping, discounters will be ready.

LETTERS TO THE EDITOR

Dear Editor:

Again, congratulations on the outstanding dinner that you and your fine firm hosted in Chicago for all of us. We particularly appreciate your honoring David Glass and our associates.

I hope everything is going well with you. We appreciate your very fine publication and the excellent job you all are doing with *Discount Store News*.

Keep up the good work! Best wishes.

Sam Walton
Chairman of the Board Wal-Mart

Editor's note: David Glass, along with five Wal-Mart associates, were honored as Discounter of the Year at *DSN*'s 14th annual SPARC (Supplier Performance Awards by Retail Category) banquet in August.

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Upper-Tier Partnerships

Top Chains are Editing Their Vendor Lists; the Big Get Bigger and Grab Larger Market Shares

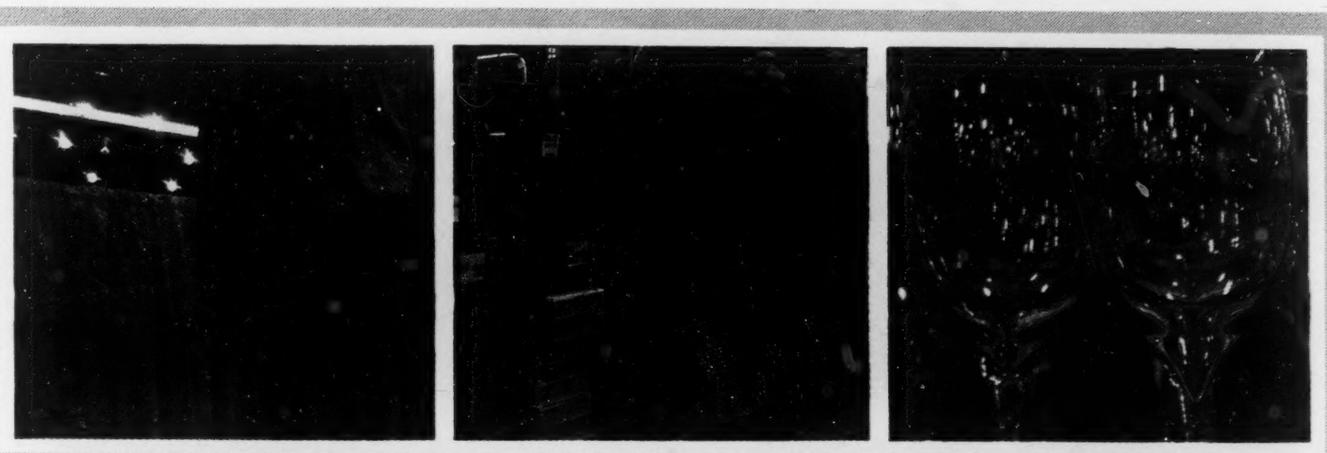
The year in mass market home furnishings was marked by strong showings from the No. 2 and No. 3 brands in most categories, according to discount store managers polled by Chicago-based Leo J. Shapiro and Associates for *HMT*. As discounters have consolidated their hold on the market, they have also moved toward high-volume partnerships with major vendors, pruning their departments of third-tier brands and turning that business over to their top echelon suppliers.

This is the first year in which RTA furniture, tabletop and window treatments were broken out of the domestics category, so historical data is not available. However, the trend toward a "Big Three" in each category was very clear. Top discounters, most of whom now rely on electronic data interchange and just-in-time delivery, are looking for suppliers who can meet their electronic inventory management needs, generally the most technologically advanced of vendors.

This is appropriate, as the home furnishings industry (particularly Milliken Inc.'s Roger Milliken) was an early proponent of EDI standards that have made these new partnerships possible.

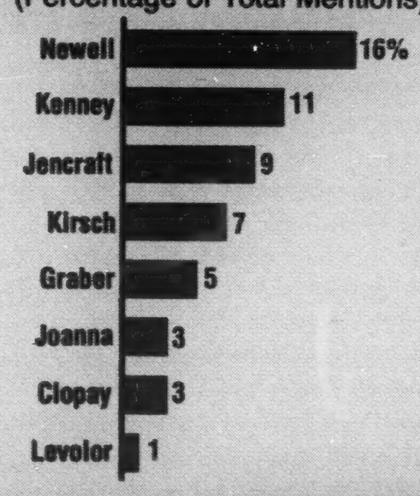
In the bed & bath market (see story, *DSN*, this issue, page 13), the bulk of the business has clearly settled with the Fieldcrest Cannon group of companies, WestPoint Stevens divisions, and to a lesser extent, the Springs family of mills. Cannon, the perpetual No. 1 among store managers in past surveys, held onto its top perch handily, even adding to its rating, but both Stevens and WestPoint Pepperell made significant inroads. Of all mentions, Cannon was mentioned by two-thirds of managers, while Stevens and Pepperell were each named by about one of five managers. Cannon's St. Mary's division was named by about one of eight managers, and Springs and its subsidiaries were noted by one in ten respondents.

As mentioned, this is the first year window treatments were considered separately from the domestics department as a whole. Still, there were no surprises here. In the past, Newell, Kenney and



Window Treatments

(Percentage of Total Mentions)



Source: Leo J. Shapiro/DSN

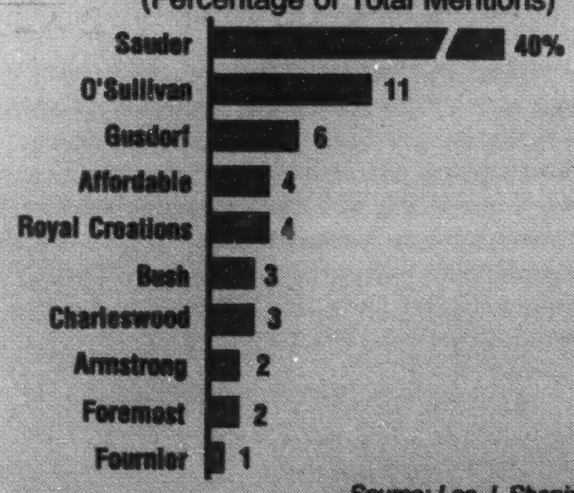
(Mentions by Chain)

Kmart	Wal-Mart	Target
1. Graber	1. Jencraft	1. Kirsch
2. Newell	2. Newell	2. Clopay
3. Jencraft	3. Kenney	3. Kenney
4. Kirsch		
5. Clopay		
6. Levolor		

Source: Leo J. Shapiro/DSN

Ready-to-Assemble Furniture

(Percentage of Total Mentions)



Source: Leo J. Shapiro/DSN

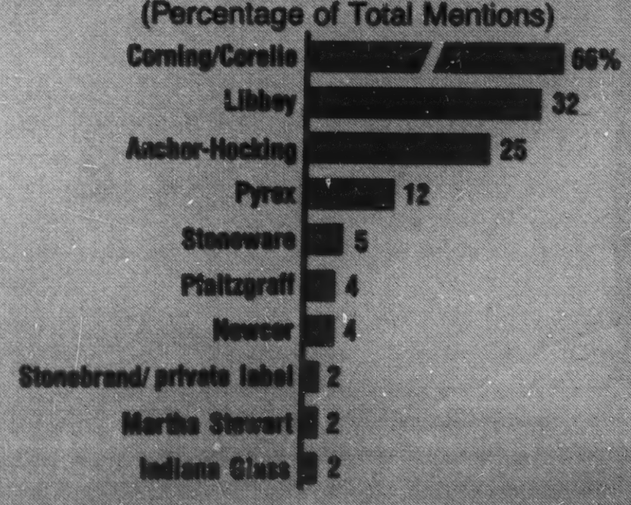
(Mentions by Chain)

Kmart	Wal-Mart	Target
1. Sauder	1. O'Sullivan	1. Sauder
2. Gusdorf	2. Sauder	2. O'Sullivan
3. Bush	3. Royal Creations	3. Affordable
4. Foremost	4. Armstrong	
	5. Affordable	
	6. Foremost	
	7. Gusdorf	

Source: Leo J. Shapiro/DSN

Tabletop

(Percentage of Total Mentions)



Source: Leo J. Shapiro/DSN

(Mentions by Chain)

Kmart	Wal-Mart	Target
1. Corning	1. Corning	1. Corning
2. Libbey	2. Libbey	2. Libbey
3. Anchor-Hocking	3. Anchor-Hocking	3. Anchor-Hocking
4. Pyrex	4. Stoneware	4. Stoneware
5. Pfaltzgraff	5. Newcor	5. Pyrex
6. Newcor	6. Store Brand	6. Store Brand
7. Martha Stewart	7. Indiana Glass	
8. Stoneware	8. Pyrex	

Source: Leo J. Shapiro/DSN

Top Chains Edit Vendor Lists

Kirsch would routinely gain mentions from store managers as top performing brands, although never enough to break into the Top 10 overall.

Not too surprisingly, these three were among the Top 5 when managers were asked to consider only window products. Jencraft (No. 3) and No. 5 Graber also made strong showings, but Newell and Kenney are a very potent one-two. Newell was very strong at both Kmart and Wal-Mart and was even stronger at regional discounters, while Kenney's strength came from Kmart and regional upscale discounters. Jencraft was a strong No. 1 with Wal-Mart managers.

Kirsch owes its showing to overwhelming support from Target managers, over half of whom named the company as a top performing brand, easily the top performance of any window brand at any chain. Graber, similarly but in far less spectacular fashion, was strongly favored by Kmart managers.

Clopay owed its No. 7 ranking to Target managers, nearly a third of whom named the brand.

There was very little regional variation among the brands, perhaps predictable since all are national presences. The only spike showed in the Northeast, where Kenney and Newell were both much stronger than in other areas of the country.

While Corning, along with its Corelle and Visions product lines, was a very easy winner in the poll, No. 2 Libbey was mentioned by a third of the managers polled, and Anchor-Hocking was mentioned by about 25% of them. Only one other brand, Pyrex, received as much as 10% of mentions.

Corning was strong across the board among discount managers, with a slightly higher mention rate at Kmart. Libbey, too, was rated evenly by Kmart, Wal-Mart and Target managers, with a slightly higher rating from Wal-Mart. Anchor-Hocking, similarly, varied by only a percentage point or two at the big three, but performed rather poorly at upscale discounters other than Target.

Pyrex was strongly favored by Kmart managers in comparison to other chain managers, while Martha Stewart, predictably, was mentioned only by those same Kmart managers.

Regionally, only Pyrex deviated from a statistically even distribution, with strong performance in the Northeast compared to other regions.

Sauder simply blew away its nearest competitor, O'Sullivan, and the Top 3 brands (Gusdorf the other) accounted for a disproportionate percentage of total mentions, even in light of the ongoing condensation of vendors at discount stores. More than four of 10 discount store managers named Sauder as a top performer; O'Sullivan was mentioned by only a bit more than one in 10.

After that, such popular and well-known brand names as Charleswood, Bush, Armstrong and Royal Creations received barely a mention.

Unlike other categories, there were significant spikes in support chain-to-chain, even at the upper end. Kmart, for instance, mentioned Sauder, Gusdorf and Bush far more often than did other chains. Wal-Mart, on the other hand, mentioned Royal Creations much more than average, and along with Target, were very supportive of O'Sullivan.

Target managers were almost as enthusiastic about Sauder as Kmart managers, but after the Top 3, other brands were rarely mentioned. Affordable and Foremost received most of their mentions from upscale discounters other than Target.

Regionally, ready-to-assemble furniture seems to be a top performer in the Northeast and North Central regions, with far lower mention rates in the South and West. Specific brand mentions followed that pattern, with only a few deviations. Gusdorf was mentioned frequently by West Coast managers.

Only one brand performed significantly better at upscale discounters than at traditional discounters; Sauder was mentioned by over half of upscale managers, compared to a little over a third of traditional managers. ■

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TOP BRANDS

Part I: Store Manager Survey

Brand Offerings Stabilize As Partnerships Blossom

Discounters relied on fewer, but increasingly dominant national brands to drive their business in 1991.

According to the results of *DSN's* 1991 Top Brands Survey of retailers, brand offerings stabilized slightly, with more than half the retailers surveyed reporting that the number of national brands they carry this year is the same as a year ago.

Only 43% of retailers surveyed said that they are carrying more national name brands this year than a year ago, compared to 48% who had increased brand name presence last year.

(Continued on page 47)

Where Brand Names Are Growing

Percent of store managers reporting increase in number of name brands carried by department

Department	1991	1990	1989	1988	1987
Health & Beauty Aids	18%	21%	17%	21%	21%
Housewares	17	15	14	23	24
Consumer Electronics	10	7	8	5	5
Hardware	9	9	14	9	8
Sporting Goods	8	5	3	10	11
Men's Apparel	8	15	14	15	11
Ladies' Apparel	6	18	16	13	10
Food, Candy, Snacks	5	3	1	5	2
Household Chemicals	5	7	7	7	NA
Cosmetics	4	4	4	7	10
Small Appliances	3	6	NA	4	1
Appliances	3	1	6	3	4
Toys	2	5	2	2	4
Automotive	2	5	5	4	6
Photo, Camera	1	1	1	1	1
Domestics	1	3	3	2	3
Children's Apparel	1	5	4	6	3
Stationery	NA	1	1	2	NA

NA—Not available

Source: Discount Store News/Leo J. Shapiro & Associates

National Survey Reveals Store Managers' Top Performing Brands

Automotives ***79***
Pennzoil
Havoline
Prestone

Children's Apparel ***55***
Fisher-Price
Lee
Wrangler

Consumer Electronics . . ***59***
Emerson
General Electric
Sony

Cosmetics ***57***
Maybelline
Cover Girl
Revlon

Domestics ***63***
Cannon
J.P. Stevens
Pepperell/Lady
Pepperell/Westpoint

Food, Candy, Snacks . . . ***89***
M&M/Mars
Frito-Lay
Planters

Greeting Cards ***74***
American Greetings
Ambassador
Gibson

Hardware ***83***
Stanley
Black & Decker
Glidden

Health & Beauty Care . . ***73***
Crest
Colgate
McNeil Labs

Household Chemicals . . ***66***
Tide
Clorox
Windex

Housewares ***61***
Rubbermaid
Black & Decker
Procter-Silex

Ladies' Apparel ***51***
Gitano
Hanes
Lee

Men's Apparel ***53***
Wrangler
Fruit of the Loom
Hanes

Personal Care ***64***
Conair
Norelco
Vidal Sassoon

Photo, Camera ***68***
Kodak
Canon
Polaroid

Sporting Goods ***77***
Coleman
Wilson
Zebco

Stationery ***74***
Mead
Bic
Stuart Hall

Toys ***85***
Fisher-Price
Mattel
Playskool

Discount store managers nationwide named their best performing brands in 18 merchandise categories, in a poll conducted for Discount Store News by Leo J. Shapiro & Associates.

TOP BRANDS

Part 1: Store Manager Survey

Partnerships Stabilize Brand Offerings

(Continued from page 41)

Of the three largest discount chains, Kmart managers reported the greatest increase in name brands, with 56.7% noting such an increase over last year. Forty-two percent of Wal-Mart managers said their stores are stocking more national brands, while only 31.1% of Target managers said their stores featured more name brands than a year ago.

In a number of product categories, brand name growth has peaked. In men's apparel, only 8% of respondents reported that they are carrying more name brands than a year ago, compared with 15% who reported an increase in 1990. Ladies' apparel dropped from 18% to just 6% reporting an increase in 1991. Household chemicals, small appliances, toys, automotives, domestics, and children's apparel also appear maxed out on brands: all showed fewer managers reporting increases in name brands in 1991.

Even health & beauty care, which had the highest percentage of managers reporting an increase in national brands carried, was off from its year ago increase: 18% in 1991 vs. 21% in 1990.

Among the handful of departments in which the number of national name brands increased were: housewares (17% compared to 15% in 1990), consumer electronics (10% vs. 7%), and food, candy and snacks (5% vs. 3%).

The growing trend toward partnership with key vendors gathered steam in the past year. Survey results seemed to verify that discount store chains edited their vendor lists in nearly all departments. Seeking manufacturers who can keep up with their velocity driven businesses, mass merchants increasingly sought out only the largest suppliers, and those who can offer a full line of products.

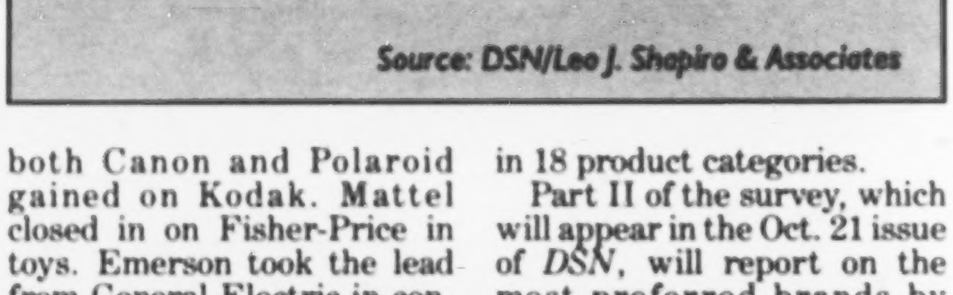
That trend was evidenced in a number of categories, most notably, Rubbermaid in housewares, Stanley and Black & Decker in hardware, Kodak in photo, Pennzoil in automotives, Mead in stationery, Wrangler in men's apparel, Gitano in women's, Conair in personal care appliances, Maybelline in cosmetics, Cannon in domestics, Tide in household cleaners, and American Greetings in greeting cards.

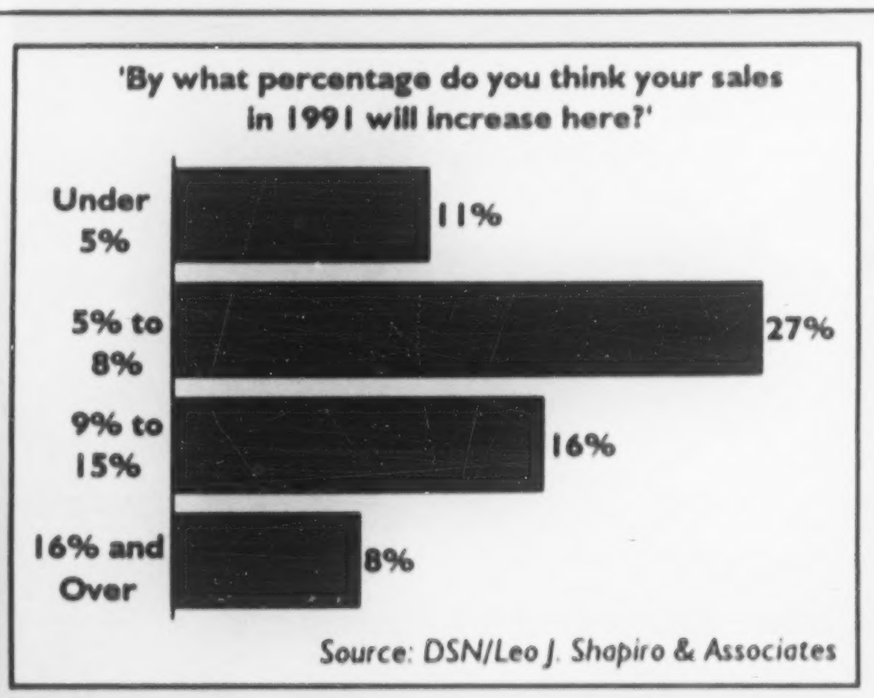
Yet, while the larger, dominant brands in most cases remained that way, in the eyes of discount store retailers, there were many departments in which relative brand positioning shifted. For example, in hardware, Stanley regained the No. 1 spot from Black & Decker. In photo and camera, both Canon and Polaroid gained on Kodak. Mattel closed in on Fisher-Price in toys. Emerson took the lead from General Electric in consumer electronics while both Sony and Panasonic passed RCA. In automotives, Quaker State was overtaken by Havoline and Prestone. Stuart Hall moved up to third in the stationery department and Igloo moved up to fifth in sporting goods after two consecutive years out of the Top 10. And, Hanes overtook Lee for second in ladies' apparel.

The 1991 Top Brands Survey: Part I is the result of interviews with store and department managers at 300 discount stores across the country. Conducted in July, retailers were asked to name the best performing brands in 18 product categories.

Part II of the survey, which will appear in the Oct. 21 issue of *DSN*, will report on the most preferred brands by product category of discount store shoppers. The results are based on a national sample of 900 consumers. The issue will also feature the inaugural listing of the 34 "Power Brands" of discount retailing for 1991. These are brands from 18 categories of merchandise that achieved a combination of high recognition by discount store retailers and high acceptance by the consumer.

Both the retail and consumer studies, as well as the special Power Brands report, were conducted by Leo J. Shapiro & Associates, Chicago, exclusively for *DSN*.





Store Managers Optimistic About '91 Sales Outlook

Discount store managers are optimistic about sales in this recession year. Eight out of 10 discount store managers surveyed said they expect sales at their store to be higher this year than in 1990. It appears discounting continues to weather the recession better than other forms of retailing.

Discounters in the South (88.2%) and West (86.3%) were notably more optimistic than their counterparts in the East (82.9%) and North Central regions of the country. Among the major chains, Wal-Mart managers were the most optimistic, with 94% predicting that sales in their store would be higher this year than in 1990. About 80% of managers at both Kmart and Target thought they would generate a sales increase in 1991. The mean percentage increase reported by all store managers was 10%.

TOP BRANDS REPRINTS

PART I: Top Brands Study: Store Manager Survey
Oct. 7 Issue Features Store Managers' Ranking of the Top Performing Brands In Each of 18 Product Categories

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Bold Marketing Helps Gitano Grab Lead Again

Gitano, which recently announced that it was embarking on a multi-million dollar advertising and promotional campaign through 1992, benefitted from its strong marketing strategy in 1991. It maintained its leadership position in the latest Top Brands Survey of ladies' apparel brands.

For the fourth year in a row, Gitano was the top performing women's wear brand, according to conventional and upscale discount store retailers. However, Hanes, Lee and Chic closed the gap.

Overall, 40% of the store managers queried mentioned Gitano as a top performer. Hanes was second, but with a much smaller percentage, 24%. Lee received 23% of total mentions in the survey.

As in other apparel categories, the Top Five brands overall recorded more mentions than in previous studies.

Target stores' Merona label is the latest addition to the top brands chart, on which a total of 29 different labels were named. Its appearance alongside other store brands, albeit not in the Top 10 yet, affirms the efforts all discounters have been making in differentiating their merchandise mix and their stores.

The ladies' area is the only apparel category in the survey where private label brands have made such an impact.

Store managers at the nation's top three discounters gave high marks to each of their private label brands.

At Kmart, the Jaclyn Smith line is ranked No. 1 in ladies' apparel by its store managers, and was mentioned by 35% of the store managers. This past year, the retailer began offering the line in petite sizes, further expanding the label's customer base.

Wal-Mart managers rated its Bobbie Brooks line No. 3 among top brands at its stores. A full 24% of Wal-Mart store managers referred to it as among its top performers, compared to 60% for Gitano and 26% for Hanes.

At a rate of 60% of mentions, Gitano fared much better at Wal-Mart than at other discounters.

Target managers placed the new Merona label at No. 4 among top brands in their stores. It garnered 24% of the brand mentions by Target managers, trailing Lee, Gitano and Chic. Merona, acquired by Target from Oxford Industries, is less than a year old, but already had an established image when Target brought it in-house, cutting down the time needed to establish a new line.

"We're anxious to make it a success," said Warren Feldberg, president, Target Stores. "We're pleased that our store managers feel good about it. As with any new line, there were some things that worked and some that didn't. Going forward, we want to continue to improve the line."

According to the survey, Merona is doing equally well in the men's and women's areas. While history would dictate that it would fare better in women's, the strong consumer recognition may make it a real winner in men's.

"Any time you acquire a brand, you take the good and the bad with it. Obviously, Merona came with a lot of good behind it," said Feldberg.

The more established private label brands at Kmart and Wal-Mart had enough total mentions to make the overall Top 10 list as well. Further efforts by Target may work toward increasing Merona's importance in Target Stores and move it up the overall chart in the coming years.

The Jaclyn Smith and Bobbie Brooks labels showed up further down the Top 10 chart than last year. But this was not a reflection on the brands themselves. Overall, a greater number of brands were cited as important in the category according to store managers. Individual stores stood as firmly behind their store brands as they did last year.

Feldberg pointed out, however, that efforts to nurture a private label line should not supercede the goal of a balanced merchandise mix.

"Merona is one piece of a stable of apparel lines at Target. Each has its own positioning and audience. We are fortunate that with Merona we have a very high quality, updated apparel line," he said.

Because 1991 was a slow economic year overall, the success of a number of basic apparel brands was not surprising. Shoppers spent money more readily on necessities than on luxuries. Three of the companies mentioned on the Top 10 are manufacturers of underwear and foundation garments: Hanes, Fruit of the Loom and Playtex. Hanes made a big jump in the chart this year. Last year, 15% of store managers mentioned it. This year, it grabbed 24% of mentions.

Fruit of the Loom also moved forward with gusto. In 1990, 6% of the managers named it as a top brand. This year, its share of mentions was up to 18%. Its strength came primarily from conventional discounters.

Playtex had dropped off the Top 10 chart last year, but was in good form for 1991. Levi's also made a comeback even though it doesn't sell its Levi's brand directly to discounters.

Ladies': Top Brands Performance by Region

Brand	Northeast	South	North Central	West
Gitano	59%	50%	39%	10%
Hanes	41	18	26	22
Lee	45	19	28	8
Chic	16	17	30	16
Fruit of the Loom	33	18	17	11
Jaclyn Smith	—	6	14	13
Playtex	19	5	10	10
Levi's	—	5	10	16
Bobbie Brooks	—	13	5	—
Wrangler	2	7	7	2

Source: Discount Store News/Leo J. Shapiro & Associates

Ladies': How Industry's Top 5 Fare at Chains

Brand	Kmart	Wal-Mart	Target
Gitano	20%	60%	44%
Hanes	23	26	13
Lee	8	12	49
Chic	10	22	44
Fruit of the Loom	13	18	13

Source: Discount Store News/Leo J. Shapiro & Associates

Ladies': Top Brands Vary by Type of Outlet

	All Discounters		Conventional Discounters		Upscale Discounters	
Brand	1991	1990	1991	1990	1991	1990
Gitano	40%	44%	40%	42%	46%	53%
Hanes	24	15	23	15	29	15
Lee	23	19	21	17	35	30
Chic	21	16	20	16	29	17
Fruit of the Loom	18	6	18	5	20	13
Jaclyn Smith	9	13	11	15	—	—
Playtex	9	3	8	2	13	8
Levi's	9	3	8	3	7	—
Bobbie Brooks	7	9	8	10	—	—
Wrangler	6	8	6	8	6	6

Source: Discount Store News/Leo J. Shapiro & Associates

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Top 4 Underscore Brands' Importance

Bugle Boy, a line that has always defined itself as a department store label, appeared for the first time on the Top 10 list of top performing men's wear brands in a survey of discount store managers.

Apart from this anomaly—Bugle Boy made it to No. 6—the list mirrored the results of 1990 very closely with few surprises. As in 1990, the top four brands scored highest among the managers and outpaced the remaining six labels by a wide margin.

The phenomenon of the strong top four has existed in the men's market since the Top Brands Survey was instituted. In the last four years, the percentages have been spread more evenly among these labels—a result of the growing importance of brands in the men's market.

Some of the more impressive percentages come from adding brands together in a corporate profile. VF Corp's Wrangler, Lee and Rustler brands added up to 59% of total store manager mentions.

Levi Strauss' Levi's and Brittania added up to 19% of total mentions for the two jeans labels.

According to the current survey, of all apparel areas, men's was named most often as a department that increased the number of brand offerings. About 8% of those surveyed said the number of brands in their men's department had increased.

Sportswear remains what discounters do best. The reappearance of Manhattan on the list gave points to tailored clothing, but Reed st. James, Botany 500 and Arrow were the only other brands on the list offering tailored clothing and sportswear.

The bulk of the top performing brands were jeans, underwear or fleece manufacturers.

Underwear brands mentioned on the survey—Hanes, Fruit of the Loom and BVD—show the continuing emphasis on basics.

Wrangler (with 34% of total mentions) and Fruit of the Loom (32%) remained at the head of the Top Brands list, though they switched positions from last year. Hanes, Lee and Levi's kept their third and fifth spots.

Gitano moved down from last year. It still maintained its percentage of total mentions, however. That has been the case in this year's Top Brands study. More brands were mentioned as top performers, and nearly every top brand got more total mentions.

Rustler, Brittania and Manhattan completed the Top 10.

Bugle Boy's presence and the return of Manhattan to the list unseated MacGregor and Dickies. The latter two did not make the Top 10, but were barely a percentage point away from Manhattan.

Men's: Top Brands Vary by Type of Outlet

Brand	All Discounters		Conventional Discounters		Upscale Discounters	
	1991	1990	1991	1990	1991	1990
Wrangler	34%	29%	34%	30%	38%	26%
Fruit of the Loom	32	30	30	28	42	36
Hanes	28	24	27	24	34	24
Lee	26	22	22	20	42	36
Levi's	12	9	10	9	13	10
Bugle Boy	10	1	11	1	4	4
Gitano	9	9	8	8	14	14
Rustler	9	8	9	8	7	10
Brittania	7	8	5	5	18	26
Manhattan	5	3	5	3	1	1

Source: Discount Store News/*Leo J. Shapiro & Associates*

Bugle Boy performed better at conventional discounters than at upscale discount stores. Just under 10% of the store managers from conventional discounters said Bugle Boy was a top performer, compared to 4% of the upscale discounters. At Wal-Mart, managers mentioned Bugle Boy enough for the label to tie for fourth with Manhattan. Kmart, however, did not mention it at all.

An "upstairs" brand finds its way into a discount store for a number of reasons. Licensees for a label such as Bugle Boy may already have a relationship with a discounter; merchandise from a manufacturer may be marketed to discount stores through a diverter; or a retail liquidation may also be marketed to discount stores through a diverter.

"As a company we will effectively eliminate discounters from our distribution going forward," said Dr. William Mow, chairman and ceo of Bugle Boy. He estimates it will take about one year.

Mow said the company deals directly with some offpricers, but diverters are responsible for the brand's appearance at discount stores.

How Top Brands Fare at Chains

Brand	Kmart	Wal-Mart	Target
Wrangler	32%	48%	42%
Fruit of the Loom	38	28	44
Hanes	25	32	22
Lee	10	10	49
Levi's	5	2	9
Bugle Boy	—	12	2
Gitano	3	8	7
Rustler	13	6	9
Brittania	8	2	22
Manhattan	—	12	—

Source: Discount Store News/*Leo J. Shapiro & Associates*

Men's: Top Brands Performance by Region

Brand	Northeast	South	North Central	West
Wrangler	35%	41%	34%	19%
Fruit of the Loom	43	29	38	21
Hanes	44	22	33	22
Lee	57	22	27	18
Levi's	3	8	9	32
Bugle Boy	21	11	8	3
Gitano	27	8	8	1
Rustler	9	6	12	10
Brittania	5	7	9	3
Manhattan	6	8	2	3

Source: Discount Store News/*Leo J. Shapiro & Associates*

Wrangler also did better at conventional discounters, while Lee led the lists at upscale discounters.

At individual stores, the No. 1 spot was debated. Kmart managers most often mentioned Fruit of the Loom. Wrangler led at Wal-Mart, and Lee was the top performing brand at Target.

A few brands that did not appear on the Top 10 did fare well at individual discounters.

Wal-Mart rated Reed st. James highly. About 12% of the Wal-Mart managers questioned said it was a top performer. The label was not mentioned at Kmart and was only cited by 2% of the Target managers as a top performer.

Target managers mentioned the only men's private label brand on the survey—the Merona store brand. It tied for the No. 4 spot at the store, along with Brittania. It even outpaced brands such as Hanes, Levi's, Gitano and Rustler at Target.

Target's emphasis on this line has made it a top performer for the retailer in all apparel categories.

Unlike more typical private label men's lines, Target may have a winner in the category because of the history Merona already has in the marketplace. It is doing as well in Target's women's area.

Regionally, the South came across as the most decisive area of the country. An impressive 41% of Southern store managers mentioned Wrangler as a top brand. That result dwarfed No. 2 Fruit of the Loom in that region (29%).

Preferences in other regions were more evenly allotted.

In the Northeast, Lee got the most mentions (57%), with Hanes (44%) close behind.

Fruit of the Loom (38%) was mentioned most by managers in the North Central region of the country.

Levi's (32%) got kudos from managers in the West.

A total of 28 brands were mentioned in the men's wear survey.

Brand Leaders Solidify Positions in Stable Market

The top children's wear brands solidified their place in the category in 1991, as evidenced by store managers' responses to the best performing brands.

The children's wear category was wide open last year with little margin separating the field of contenders. There was hardly a sweep this year, but the most significant development in this latest children's wear Top Brands survey was a slightly clearer picture of the leaders.

Part of the reason for this was that the number of brands entered into the children's wear market was stabilized.

After four years of marginal growth, a mere 1% of the store managers responding mentioned the children's wear area as one in which they increased the number of national brands carried.

The various store managers that were surveyed mentioned a total of 33 different apparel brand names. This was the largest number of labels mentioned in any apparel category.

There were also some shifts in brands. Even so, those appearing further down the list still received a higher percentage of total mentions than they did last year.

Discounters have been consistent about refurbishing the children's area. Not all increased floor space, but a large number updated the area with colorful graphics and newer fixtures. Brands were also highlighted more obviously on fixtures or walls.

The association of brand with quality and consistency is an important draw for parents. And it is one of the reasons more brands appeared on this list than any others.

As the numbers indicate, retailers did not increase the already generous number of brands that they carry. Instead, they better incorporated the top performers into their plans.

The children's wear area has continued to be a bright spot for discount retailers. Despite the jockeying for position of brands, it has remained a relatively stable market. That there are only small shifts in percentage points in the Top 10 list is an indication of just how well most brands do in the category.

One of the newcomers to the list already has an adult following: Hanes, which is making its first appearance in the Top 10. Well-placed in both the men's and women's charts, it is a brand parents are familiar with and can feel very comfortable about.

Similarly, Fruit of the Loom returned to the fray after a one-year absence. It also was a top performer in the other apparel charts.

The two underwear and fleece manufacturers replaced Garanimals and Spencer's on the Top 10 chart. Garanimals had the largest fall. It received only 2% of the total mentions by store managers.

For Fisher-Price and Lee, it was business as usual. They maintained their leadership positions, but with a larger share of total responses each.

Wrangler impressed more managers as a top performer this year, moving up the chart to the No. 3 spot.

Beyond that, the differences were minor with, at most, one percentage point separating the different apparel labels.

Surprisingly, OshKosh, which was a long-awaited brand addition to the mass market with its introduction into Sears, was edged further down on the list. Though considered a department store brand, it has appeared on the chart consistently since 1988, probably due to its appearance in discount stores through diverters.

Gitano, Hanes, Curity and Oshkosh, which held 6th to 10th place positions on the list, were virtually tied in the number of total mentions by retail managers.

In the middle range of the list were Gerber and Liberty. Their placement was greatly influenced by the top two discount retailers. Wal-Mart's far-reaching grasp helped put Liberty—which was No. 1 at that chain—at the No. 6 spot overall. Liberty was not mentioned by either Kmart or Target managers.

Likewise, Gerber got a boost from Kmart, which mentioned it as its second best performing brand. At Wal-Mart and Target, Gerber was placed a bit further down the ladder.

Gerber last year revamped its line. In 1990, it garnered only 8% of the mentions in the category. This year, discounters overall gave it 11% of the mentions.

There were also differences when comparing conventional and upscale discounters and when analyzing the individual stores.

Fisher-Price was the most often mentioned top performing brand at conventional discounters, with Lee and Wrangler tied for second.

At upscale discounters, however, Lee and Fruit of the Loom were tied for first place.

It was also at individual stores where other differences reflected each retailer's personality.

Lee was not mentioned by Kmart at all in this category, but led at Target.

Beyond the cumulative Top 10 list, Spencer's was given high marks by Kmart.

In addition, Target gave high marks to its own Merona store brand. Once marketed as a national brand, Target bought the Merona label last year.

The retailer is now in the process of developing the label within the parameters of its private label operation.

Of all Target store managers queried, 13% mentioned Merona as a top performing brand. At Target, that tied the store brand with Fisher-Price and put it ahead of Hanes and OshKosh.

This is especially significant considering that the Merona brand thus far has only been available in larger children's sizes.

According to Target president Warren Feldberg, the line may be expanded to toddler sizes for boys and girls this coming spring.

Levi's and Health-Tex were also close contenders in the survey. Health-Tex, which has been off the Top 10 list for two years, may be a brand to watch in the future.

Powerful VF Corp., Wrangler's parent, bought the company earlier this year. A new line and marketing push may lead it back to the top end of the children's wear chart.

The survey also pointed to regional differences in how the top brands performed.

Lee ranked first in the Northeast. Liberty led in the South. That corresponds to Liberty's leadership position at Wal-Mart.

In the North Central region, Fisher Price and Fruit of the Loom were the leaders. In the West, Fisher Price and Gerber took over the top of the list.

Children's: Top Brands Vary by Type of Outlet

Brand	All Discounters		Conventional Discounters		Upscale Discounters	
	1991	1990	1991	1990	1991	1990
Fisher-Price	17%	12%	18%	13%	13%	9%
Lee	14	10	13	10	23	13
Wrangler	12	9	12	9	12	8
Fruit of the Loom	11	3	9	2	23	12
Gerber	11	8	9	8	19	8
Liberty	10	9	12	11	—	—
Gitano	9	9	7	7	17	20
Hanes	8	2	8	2	14	3
Curity	8	4	8	3	12	8
Oshkosh	8	7	9	7	6	9

Source: Discount Store News/Leo J. Shapiro & Associates

Children's: How Industry's Top 5 Fare at Chains

Brand	Kmart	Wal-Mart	Target
Fisher-Price	23%	30%	13%
Lee	—	6	22
Wrangler	7	24	16
Fruit of the Loom	7	8	22
Gerber	12	6	24

Source: Discount Store News/Leo J. Shapiro & Associates

Children's: Top Brands Performance by Region

Brand	Northeast	South	North Central	West
Fisher-Price	16%	18%	17%	18%
Lee	47	11	15	1
Wrangler	8	16	13	4
Fruit of the Loom	12	9	16	7
Gerber	15	12	7	11

Source: Discount Store News/Leo J. Shapiro & Associates

Big Gains for Leading Cosmetics Brands

Although it continues to trail Cover Girl in market share at mass merchandise chains (according to A.C. Nielsen), Maybelline topped the list of top performing cosmetics brands at discount stores for the fifth year in a row in *DSN*'s 1991 Top Brands Survey.

Maybelline, even before announcing an intensive corporate effort to upgrade its image with both consumers and the trade (see story below), was named as a top performing brand in the cosmetics department by a whopping 78% of retailers surveyed, 12 percentage points more than last year and the highest percentage ever recorded by a cosmetics brand in the survey. In fact, Maybelline's popularity with discount retailers ranked second only to Kodak overall in the Top Brands Survey.

However, despite Maybelline's impressive showing, No. 2 Cover Girl actually gained ground on the mass market cosmetics firm. Cover Girl, owned by the giant Procter & Gamble conglomerate, was named as a top performing brand by 67% of retailers surveyed, a 14 point increase over its rate of mentions in the 1990 survey.

And, Revlon, the No. 3 ranked brand for the past five years, was actually the biggest winner in cosmetics. With 44% of mentions as a top performing brand, Revlon gained 21 percentage points over its 23% rate of mentions last year.

The other big gainer on the Top 10 list was L'Oreal, with 24% of mentions, a 12 point gain over 1990. Max Factor, despite a two point gain over its rate of mentions last year, dropped from fourth to fifth on the chart due to L'Oreal's big push.

Coty Joins Top 10

The sole newcomer to the Top 10 list was Coty, with 3% of mentions, in 10th place, while Sally Hanson, which garnered 5% of mentions last year, fell off the Top 10 list.

Only 4% of store managers overall cited cosmetics as a department in which the number of national name brands they carry has increased in the past year, less than the 6% average for all departments.

The relative market positioning of the major cosmetics brands becomes apparent when analyzing the results by performance at the major chains. Maybelline was strongest among conventional discount chains, especially Wal-Mart. But, Revlon gave Maybelline a run for its money at upscale discounters in general, trailing by a slim 4 percentage points, and at Target, where only 6 percentage points separated the two brands.

Cover Girl, like Maybelline, received its highest share of mentions from Wal-Mart managers. And, L'Oreal's impressive performance can also be attributed to its popularity at Wal-Mart, as well as a strong showing among Target managers. Target managers also gave Max Factor that brand's strongest show of support.

***Revlon,** the No. 3 ranked brand for the past five years, gained 21 percentage points over its 23% rate of mentions last year.* (DSN photo)

Cosmetics: How Industry's Top 5 Fare at Chains

Brand	Kmart	Wal-Mart	Target
Maybelline	85%	92%	78%
Cover Girl	67	82	56
Revlon	33	48	73
L'Oreal	17	40	33
Max Factor	18	12	22

Source: Discount Store News/*Leo J. Shapiro & Associates*

Cosmetics: Top Brands Vary by Type of Outlet

	All Discounters		Conventional Discounters		Upscale Discounters	
Brand	1991	1990	1991	1990	1991	1990
Maybelline	79%	66%	80%	65%	75%	70%
Cover Girl	67	53	69	54	59	48
Revlon	44	23	40	18	71	51
L'Oreal	24	12	23	11	33	18
Max Factor	17	15	15	14	26	17
Noxell	9	8	10	9	—	3
Almay	9	3	8	3	14	3
Clairol	7	8	7	9	7	3
Clarion	4	4	5	4	1	4
Coty	3	1	3	2	4	—

Source: Discount Store News/*Leo J. Shapiro & Associates*

Cosmetics: Top Brands Performance by Region

Brand	Northeast	South	North Central	West
Maybelline	79%	77%	88%	65%
Cover Girl	77	73	65	51
Revlon	58	44	37	50
L'Oreal	19	27	24	22
Max Factor	19	12	16	29
Noxell	13	5	10	17
Almay	12	10	8	6
Clairol	3	7	9	7
Clarion	—	5	3	5
Coty	6	3	3	3

Source: Discount Store News/*Leo J. Shapiro & Associates*

Upgraded Image, New Strategy Gives Maybelline a Facelift

Maybelline, the mass market cosmetic firm acquired last July by Wasserstein Perella Management Partners from Shering-Plough, is "relaunching" itself with a new, upgraded image.

At a press conference here last month, Maybelline president Robert Hiatt unveiled a three-pronged strategy incorporating a new $50 million ad campaign, new product packaging and reformulations.

Hiatt said that major retail accounts who were given previews of the new campaign over the past several weeks were enthusiastic about the changes.

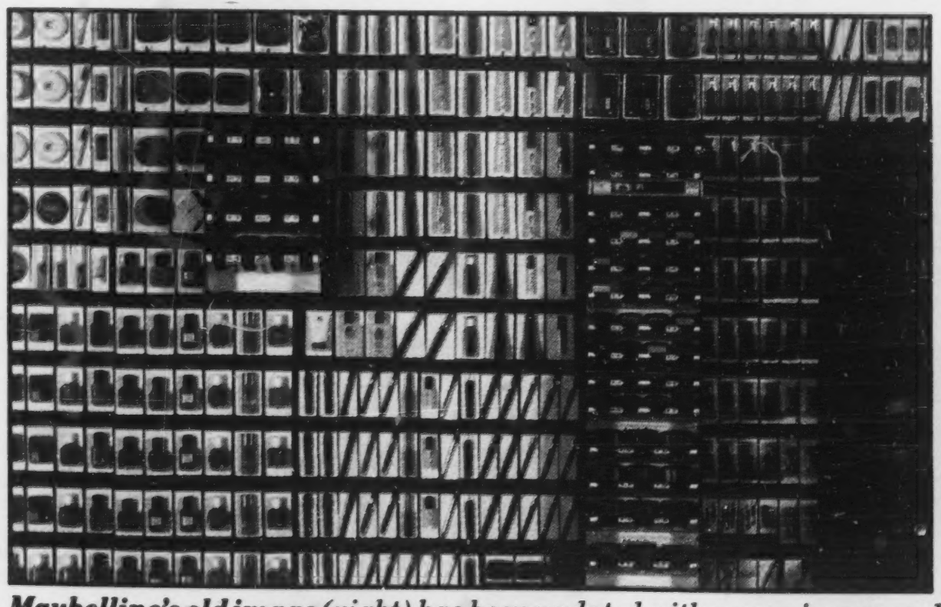
Maybelline currently is the second largest brand in share of unit sales of cosmetics. However, Hiatt said that consumers have a "vague, fuzzy image" of the brand. "We are not top of mind," he said. A $50 million ad campaign, with the new theme, "Maybe She's Born With It. Maybe It's Maybelline," is expected to help raise Maybelline to the preferred customer brand.

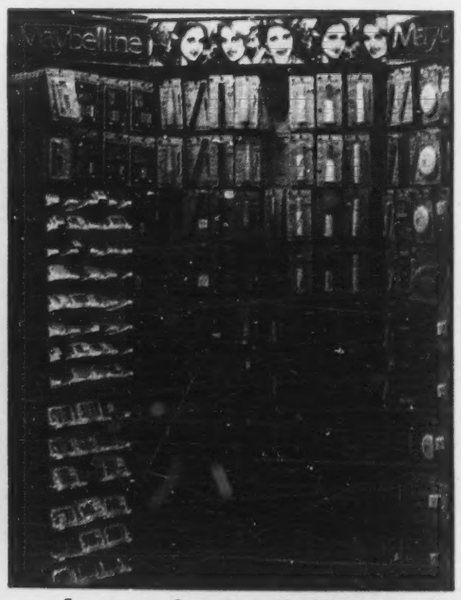
The new ad campaign, which debuted on network television Sept. 9, is "totally consistent with today's confident woman," said Maybelline vice president of advertising David Blanton. "She's intelligent, savvy, and surprising. The Maybelline performance story is still there but there's much more excitement, wit, and glamour. There is an honesty to the advertising that is unique."

New primary and secondary packaging will give the old Maybelline products a new, up-to-date look. Modern navy compacts were introduced this year for Maybelline's Blooming Colors eye shadows, Brush/Blush I and II, and Satin Complexion pressed powder. This fall, three lipstick brands, Moisture Whip, Long Wearing and Revitalizing Color, will get new packaging that simulates the look of more expensive department store brands. Many other lines will re-emerge this fall in new burgundy packages with gold graphics.

The new look extends to secondary packaging. The blue card to which the product is affixed has been replaced by a white card with navy and plum graphics.

Hiatt noted that Maybelline intends to be responsive to retailers. "We will be the best performer in the way they [retailers] track performance," he said, "not just in sales, but on return on inventory investment."





***Maybelline's old image** (right) has been updated with new primary and secondary packaging (left) that will give the brand more of a department store look.* (DSN photos)

Emerson Climbs Back to Top Performer Position

Emerson, which slipped to No. 3 in last year's Top Brands Survey of discount managers, roared back in 1991 to regain its crown as top performer in discount consumer electronics departments. However, GE, which last year surpassed Emerson for the first time in the five years of the survey, gained nearly as much.

Last year, each brand had just over one quarter of total mentions in the survey. This year, four of 10 managers named Emerson and just slightly fewer named GE. Both are the highest mention rates in the department over the life of the survey.

And they weren't the only big winners. Sony doubled its mention rate of last year to finish third, with slightly over one in three managers citing the brand; AT&T blew past Sharp, Nintendo and Sanyo to enter the chart for the first time ever at No. 7; and Panasonic improved sharply to three of 10 manager mentions, remaining No. 4 overall.

This will probably come as no surprise, but Emerson owed its strong showing to Wal-Mart, for whom the company has been a major resource for many years. Over three-quarters of Wal-Mart managers named Emerson as among its top performing brands, as did more than half of Target managers.

Marino Andriani, senior vp of sales and marketing, Emerson, noted that Emerson's high mention rate in the face of a troubled year financially is due to "fulfilling our commitments, and not commiting to things we can't do. The Target results are due to our shipping, as their major concern is out-of-stocks. Overall, we've dedicated ourselves to the discount store industry, and as our customers have grown, so have we."

GE, while finishing strongly at Wal-Mart and Target, was named by about three of five Kmart managers, and was strong across the board, with mention rates seldom dipping below 30%. Sony had a big year at Target, where nearly half of managers named the brand, and was nearly as strong at Wal-Mart and upscale discounters other than Target. Even at Kmart, where Sony had its lowest mentions, one in five managers cited the brand.

Panasonic was very strong at Wal-Mart and Kmart, less so at Target and other upscale discounters, while No. 5 RCA saw its share erode due to extremely low support among managers of conventional discount chains other than Kmart and Wal-Mart. Upscale chains continued to support RCA.

Philips' Magnavox moved up a notch in the overall rankings, due mainly to support from Kmart and Target managers, with very low mention rates from Wal-Mart managers.

AT&T, one of the biggest gainers on the chart, scored heavily with Kmart managers, about one in four of whom mentioned the brand. AT&T has strengthened its presence at the mass level with a raft of new products, full-line programs and aggressive advertising.

"I am pleased with AT&T's improvement in the brand preference standings," said Ed May, national sales vice president of AT&T's Consumer Products division. "We have taken initiatives in the past three years to improve our relationship with and significance as a supplier of telecommunications equipment to the discount store industry."

No. 8 Nintendo ironically owed its increase in mention rates to Target, with whom it has been engaged in a year-long battle over return privileges. Kmart managers and upscale regional discount chains also supported the video game maker.

Sanyo and Sharp each increased their mention rates but dropped a place each in the overall rankings. Sanyo performed very strongly at Wal-Mart, where four in 10 managers cited the brand, and was a virtual non-player at Kmart.

Sharp performed best at upscale regional chains other than Target, with significant support at Kmart, which has increased the brand's presence in its new-look CE departments, even installing the $5,000 SharpVision 100-inch LCD projection television in several locations.

Soundesign, which had been a Top 10 perennial until last year, edged back up, barely missing the chart this year. Others in striking range include Zenith, Pioneer (with strong support at Wal-Mart), Samsung, Toshiba and GoldStar. Sega, engaged in a bitter 16-bit advertising war with Nintendo, received a significant number of mentions for the first time this year, with relatively strong support from Target managers.

Regionally, there were distinct variations in mention rates. For instance, while it might have been predictable that Emerson would rate best in the South, where a majority of Wal-Mart stores are still located, how to explain Sony's performance on the West Coast, where it was an easy No.1 and in the Northeast, where it sank to No.7, just beating out Sharp; or Panasonic's strength in the Northeast, where it tied GE for No.1? Similarly, Magnavox, AT&T and Nintendo all performed far better in the Northeast than in any other region, as did Samsung, Soundesign and Zenith.

Consumer Electronics: Top Brands Vary by Type of Outlet

Brand	All Discounters		Conventional Discounters		Upscale Discounters	
	1991	1990	1991	1990	1991	1990
Emerson	40%	28%	41%	27%	38%	31%
General Electric	39	29	40	32	29	14
Sony	35	18	32	16	48	32
Panasonic	30	23	31	22	23	28
RCA	20	29	20	27	22	41
Magnavox	17	20	15	19	22	25
AT&T	16	3	17	3	13	5
Nintendo	15	10	13	11	28	6
Sanyo	14	18	15	16	8	32
Sharp	10	9	9	9	12	10

Source: Discount Store News/Leo J. Shapiro & Associates

Consumer Electronics How Industry's Top 5 Fare at Chains

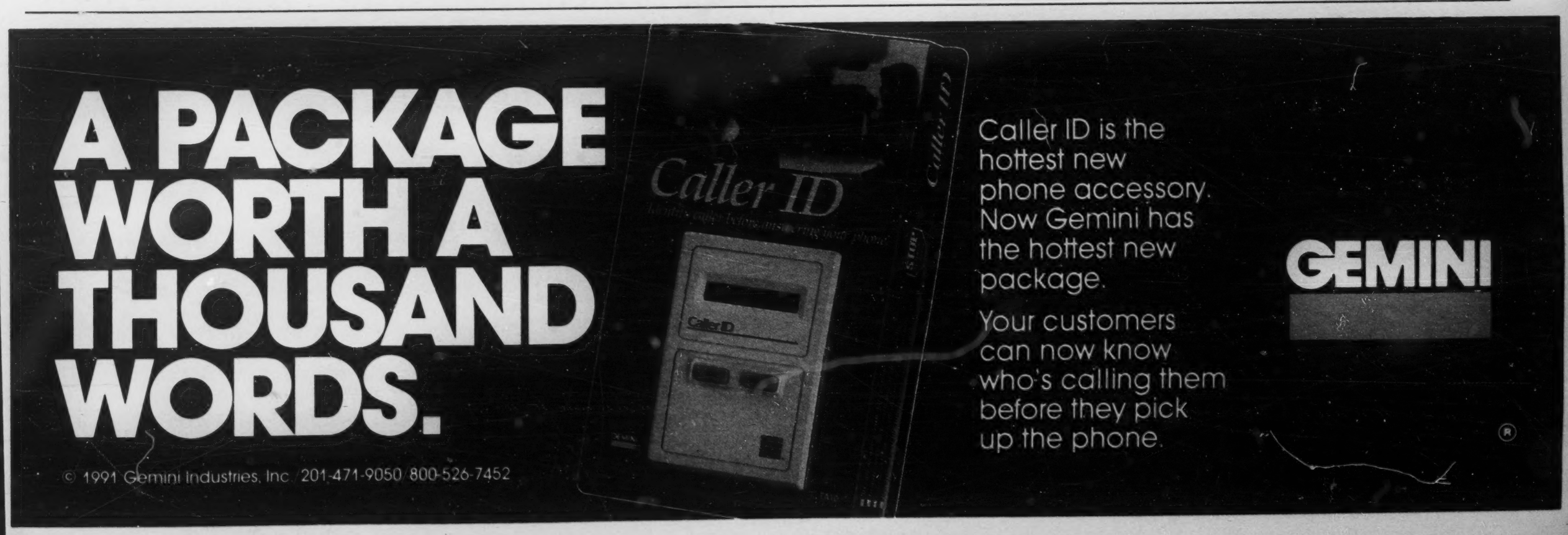
Brand	Kmart	Wal-Mart	Target
Emerson	20%	76%	53%
General Electric	58	32	31
Sony	20	44	49
Panasonic	32	38	24
RCA	32	30	20

Source: Discount Store News/Leo J. Shapiro & Associates

Consumer Electronics Top Brands Performance by Region

Brand	Northeast	South	North Central	West
Emerson	39%	53%	29%	29%
General Electric	41	32	47	35
Sony	24	33	35	47
Panasonic	41	28	34	20
RCA	21	22	20	14
Magnavox	26	19	15	13
AT&T	27	14	19	12
Nintendo	23	12	16	14
Sanyo	5	23	8	8
Sharp	20	9	3	19

Source: Discount Store News/Leo J. Shapiro & Associates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Variety of Brands Spices Up Department

The housewares department is chock full of national brand name merchandise, but evidently there is room for still more variety, according to discount store managers. The housewares department was second only to health & beauty care in terms of the number of retailers who said they experienced an influx in nationally branded items in the past year.

The brands firmly entrenched in the housewares department include plastics manufacturers, well represented by Rubbermaid, Tucker and Sterilite—and appliance suppliers such as Black & Decker, Proctor-Silex, Mr. Coffee and General Electric.

With few exceptions, brands that were among last year's best housewares department performers were also tops in the current study of discount store managers.

Executives from the leading suppliers said stepped-up advertising and promotional activities, expanded shelf-space in the stores and new product introductions pumped up the sales muscle of their brands.

Top ranked Rubbermaid, for instance, was helped by placement of its Rubbermaid "boutiques" at stores like Jamesway and, more recently at Pergament home centers. These boutiques feature overhead banners and expanded floor space. With more than six out of every 10 store managers saying Rubbermaid is a department leader, the brand was mentioned more frequently this year than in any previous Top Brands Study. Rubbermaid has topped the list of housewares brands in each of the past five years.

Chuck Carroll, president & gm of Rubbermaid's housewares products division, attributed the increased brand strength to providing "over 100 new products last year and another 100 this year," as well to appropriate POS materials, high product quality standards and the right colors.

New products also contributed to Tucker's performance in the survey. Tucker's aggressive recycling bin program—coupled with the points it scored with the retail community for being the first and only manufacturer to provide recycling centers for the Housewares Show in January 1990—

***Nearly twice as** many store managers named Mr. Coffee as a top brand this year as last.* (DSN photo)

helped put Tucker back into the minds of the store manager. Tucker, which was not among the list of Top Brands last year, was cited by 10% of all store managers in the latest survey.

Kmart and other conventional discounters were Tucker's strongest advocates, while Wal-Mart, which relies more on Rubbermaid for its plastics department, mentioned Tucker less frequently.

Frank DiSesa, vice president, research & development, with Tucker, acknowledged that the company's strong recycling program has helped to build sales and recognition. Its relatively new home storage line has also contributed to greater recognition.

New products were responsible for improved performance among appliance brands as well.

In the case of Mr. Coffee, the retail success of its automatic iced tea maker and the seasonal promotability of the appliance helped to make the brand a key ingredient in the housewares department. Nearly twice as many store managers said Mr. Coffee was a top brand this year as last. The somewhat "yuppie" market this appliance targeted made it a natural success story for Target stores. In fact, more than 25% of all Target store managers mentioned Mr. Coffee, compared to 3% at Kmart and 14% at Wal-Mart.

Judy McBee, executive vice president, marketing & sales, for Proctor-Silex, attributed the tripling of mentions by store managers from 1990 to 1991 to the merger with Hamilton Beach. "Within the past 12 months our merger with Hamilton Beach has caused retailers to see us as one company. The sales person calling on the store manager from Proctor-Silex now also represents Hamilton Beach," she noted.

The growing popularity of hand blenders, sandwich toasters and other food preparation appliances, also boosted the vitality of these sales for Proctor-Silex, especially because of the suppliers' moderate pricing. As McBee phrased it, "After a decade of decadence and overspending, I think the consumer is returning to basic quality. And what keeps coming back to us in our studies on our company image is that we are viewed as a supplier of quality product with good value."

Black & Decker's streamlined packaging program helped to raise its recognition level among store managers, especially at Kmart where a third said Black & Decker products were top performers in housewares.

While the Top 10 list of leading housewares brands helps to define the brands with fairly universal appeal in the retail community, there are brands which have specific pockets of success, and others which are suffering only temporary setbacks.

One of the interesting exceptions is Farberware, which was mentioned by 13% of upscale discounters other than Target, even though only 3% of all discounters combined mentioned this stainless steel cookware manufacturer as one of the top performers.

Similarly, O-Cedar brand closet supplies were considered to be a top housewares brand by one out of 10 Kmart store managers. Wal-Mart store managers cited appliance and cookware brands that most other retailers did not, including Rival, Sunbeam and Regal.

While the various divisions of Corning were not mentioned as often overall, as last year, chains other than the "big three" continued to consider the Corning, Corelle, Revere and Visions brands important department contributors, especially when they were viewed collectively instead of by individual brand name.

Corning's Pyrex brand was not seen as a significant factor in the housewares department, but the company has recently introduced an updated Pyrex style with a four-color carton which is certain to boost Pyrex sales. At the same time, a new wave of Corelle patterns and extensive licensing of these new designs are also adding excitement to the assortment.

Earlier this year, Corning also debuted its first non-stick cookware with the Revere label; the new line was not yet at store level when the Top Brands Study was in the process of being conducted.

Housewares: Top Brands Vary by Type of Outlet

	All Discounters		Conventional Discounters		Upscale Discounters	
Brand	**1991**	**1990**	**1991**	**1990**	**1991**	**1990**
Rubbermaid	64%	59%	65%	58%	68%	63%
Black & Decker	21	14	19	15	29	12
Proctor-Silex	18	6	19	6	17	9
Tucker	10	3	12	3	—	2
Mirro	9	6	9	7	6	2
Mr. Coffee	9	5	8	3	15	11
Sterilite	7	7	6	7	16	10
General Electric	7	3	6	2	10	8
Corning	6	14	5	15	10	11
Corelle	6	24	7	26	—	13

Source: Discount Store News/*Leo J. Shapiro & Associates*

Housewares
Top Brands Performance by Region

Brand	Northeast	South	North Central	West
Rubbermaid	76%	66%	63%	57%
Black & Decker	37	12	22	32
Proctor-Silex	37	17	14	17
Tucker	14	10	12	3
Mirro	7	12	7	7
Mr. Coffee	18	9	7	6
Sterilite	4	8	7	6
General Electric	11	7	3	10
Corning	8	4	6	9
Corelle	15	3	3	10

Source: Discount Store News/*Leo J. Shapiro & Associates*

Housewares
How Industry's Top 5 Fare at Chains

Brand	Kmart	Wal-Mart	Target
Rubbermaid	53%	80%	73%
Black & Decker	33	4	29
Proctor-Silex	19	20	20
Tucker	15	4	—
Mirro	9	10	4

Source: Discount Store News/*Leo J. Shapiro & Associates*

Discount Chains Streamline Supplier Lists

The growing retail trend toward partnership with key vendors gathered steam in the past year, especially in domestics.

Discounters edited their vendor list in the effort to find manufacturers who can keep up with an increasingly velocity-driven business.

As a result, three companies—Fieldcrest Cannon, WestPoint Pepperell and Springs Industries—totally dominated the domestics department results of *DSN*'s annual Top Brands survey.

Perennial No. 1 Cannon not only increased its mention rate, with about two-thirds of managers citing the brand as a top performer, but its St. Mary's and Fieldcrest divisions also increased their ratings over last year as well, finishing fourth and seventh overall. WestPoint sister companies J.P. Stevens and Lady Pepperell also showed healthy gains over last year, with Stevens cementing last year's move into second place and Lady Pepperell strengthening its hold on third place overall.

Springs, No. 5 overall, was mentioned by about one in 10 respondents, roughly double the rate of mentions in 1990.

There were two newcomers to the Top 10 this year; blanket manufacturer Beacon, and towel supplier Dundee Mills. Beacon owed its placement to Wal-Mart managers; Dundee, which has strong programs with regional discounters like Caldor and Venture, predictably realized most of its support from retailers other than the big three of Kmart, Wal-Mart and Target, with whom Dundee only does periodic promotional business.

Beacon has closed its grip on the mass market blanket industry, which has gone through a period of consolidation, and is now one of only three or four resources of sufficient size to serve the industry. It has also mounted an aggressive trade advertising campaign, two factors that probably influenced its sudden rise. Company president Randall Chestnut credited "improving our product and introducing new products" with the improvement.

"Over the past few years we've worked hard to build the Beacon name," he said. "We've been responsive to our customers and active in trade advertising, which has reinforced our efforts at placing goods."

Santa Cruz and Burlington dropped off the Top 10 this year, ending a three-year run for Burlington.

Dan River, which has consistently placed in the Top 10 over the past four years, repeated again at No. 6, due mainly to support from conventional discounters other than Wal-Mart.

The final member of the Top 10, the Martha Stewart brand, is a Kmart private label that has placed in the lower reaches of the Top 10 since it first entered the chart in 1989. Predictably, Martha Stewart gained all of its mentions from Kmart managers.

When mention rates are studied by chain, some interesting patterns emerge. Cannon, for instance, was wildly popular with all conventional discounters. Four out of every five Wal-Mart managers, for instance, named the brand, and three quarters of Kmart managers named Cannon as a top performing brand.

However, Cannon's support plummeted among upscale discounters and was only moderate among regionals. Only four of 10 Target managers cited the brand, and regional support varied from about 40% at upscale regionals to about 60% with traditional regionals. Of course, any other brand would have been ecstatic to receive any of those mention rates.

Stevens, which slipped by sister company WestPoint Pepperell, owed its success, in large part, to Wal-Mart, with some 30% of managers naming the brand. Support was high at Target as well, but only about one in eight Kmart managers mentioned Stevens.

Stevens vice president Bob Gehm noted that "we supply four of Wal-Mart's best-selling patterns, and the Common Sense towel has been a big seller as well" in explaining the company's performance at Wal-Mart.

WestPoint Pepperell also performed better at Wal-Mart than elsewhere, with nearly 30% of managers citing the brand. Both Stevens and Pepperell performed well across the board, without major drop-offs.

No. 4 St. Mary's gained very strong support among Target managers, over a quarter of whom named the brand as a top performer. Only about one in 20 Wal-Mart managers mentioned St. Mary's, however.

Regionally, most top brands performed better among Northeastern and Southern retailers than among North Central region and Western managers, while brands in the lower reaches of the chart tended to reverse the pattern. A few exceptions: St. Mary's was strongest in the Northeast, but performed better in the West and North Central regions than in the South; Fieldcrest was strongest in the South and North Central area.

Brands just missing the Top 10 included Regal, TasteMaker, Santa Cruz, Burlington, Newell, Graber, Hollander and Hygiene.

Managers were asked to name departments in which the number of national brands carried has increased in the past year. Predictably, domestics was nearly at the bottom of barrel, with only 1% of managers, down from 3% last year. While the number of brands has decreased storewide, the drop in domestics was one of the biggest. The average manager listed less than two brands when asked for top performers, again just about lowest storewide, with only stationery and greeting cards among historical departments scoring lower.

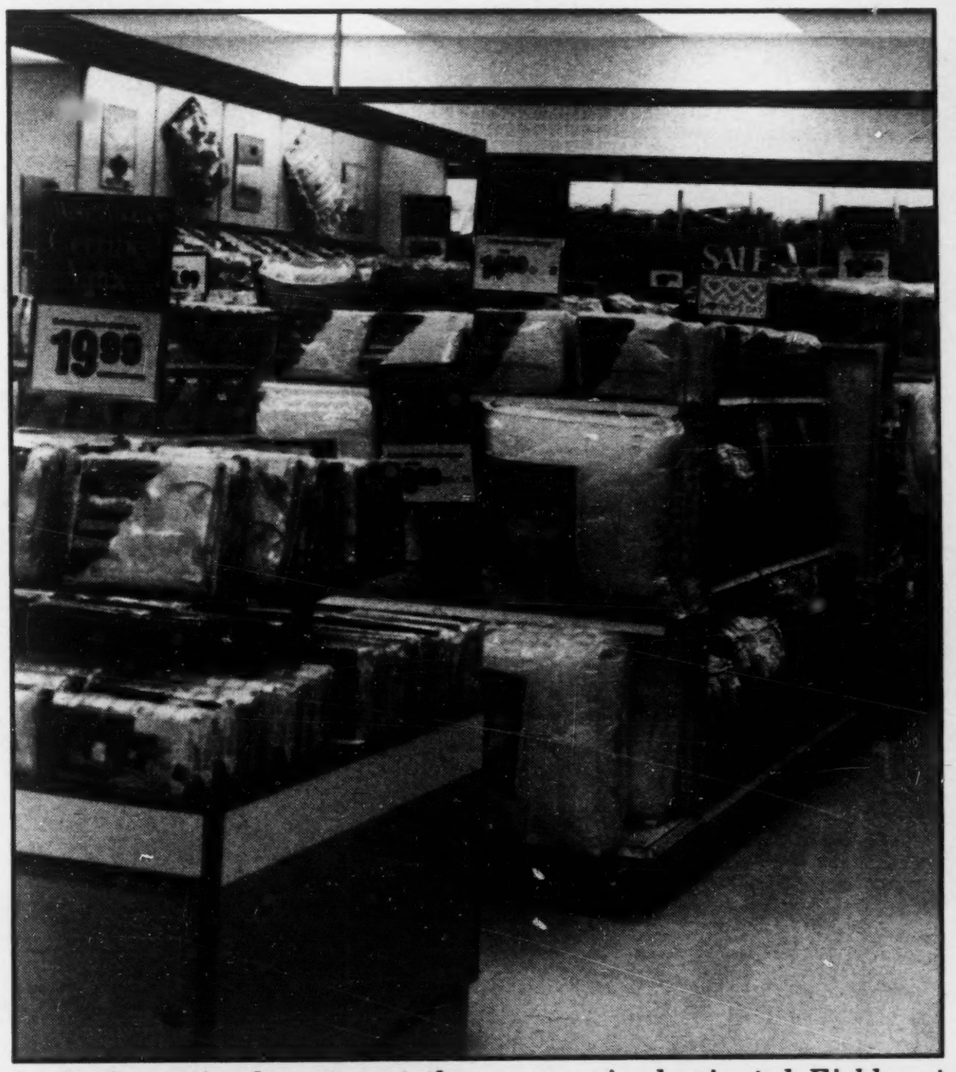
Managers were also asked which departments they felt they had the most control over. Only one in 20 managers cited domestics, compared to candy and snacks and H&BA, where more than a quarter of managers felt they had influence.

Overall, a majority of managers reported that there had been no brand growth in the domestics department.

Domestics: Top Brands Vary by Outlet

Brand	All Discounters		Conventional Discounters		Upscale Discounters	
	1991	1990	1991	1990	1991	1990
Cannon	66%	57%	72%	61%	42%	35%
J.P. Stevens	21	15	22	16	20	12
Pepperell/Lady Pepperell/ Westpoint	19	17	19	15	19	24
St. Mary's	16	8	15	6	24	20
Springs/Spring Mills	9	5	9	4	11	10
Dan River	3	3	3	3	—	5
Fieldcrest	3	6	2	5	6	10
Martha Stewart	3	4	3	5	—	—
Beacon	2	2	3	2	—	—
Dundee Mills	1	3	1	2	—	1

Source: Discount Store News/Leo J. Shapiro & Associates



***In the domestics department,** three companies dominated: Fieldcrest Cannon, WestPoint Pepperell and Springs Industries.* (DSN photo)

Domestics
How Top Brands Fare at Chains

Brand	Kmart	Wal-Mart	Target
Cannon	75%	84%	40%
J.P. Stevens	17	30	22
Pepperell/Lady Pepperell/ Westpoint	18	28	18
St. Mary's	18	6	27
Springs/Spring Mills	7	10	11
Dan River	3	—	—
Fieldcrest	3	2	7
Martha Stewart	10	—	—
Beacon	—	6	—
Dundee Mills	—	—	—

Source: Discount Store News/Leo J. Shapiro & Associates

Domestics: Top Brands Performance by Region

Brand	Northeast	South	North Central	West
Cannon	71%	73%	62%	57%
J.P. Stevens	31	27	16	12
Pepperell/Lady Pepperell/Westpoint	27	23	12	16
St. Mary's	35	12	15	15
Springs/Spring Mills	14	11	9	4
Dan River	5	1	5	—
Fieldcrest	1	3	4	—
Martha Stewart	—	—	4	8
Beacon	3	3	2	—
Dundee Mills	—	2	2	—

Source: Discount Store News/Leo J. Shapiro & Associates

Branded Goods Take Upper Hand in Category

A decreased reliance on unbranded, imported small appliances coupled with a general upgrade of the quality of products made by leading domestic suppliers helped to nurture a preference toward branded personal care appliances.

Executives with several of the leading suppliers said the days of risking sales on unbranded imports or branded goods of questionable integrity are gone. The safety risks of hair dryers and other electrics frequently used near water in the bathroom have made consumers—and therefore retailers—rethink buying decisions.

In addition to safety concerns, the "throwaway" mentality is on the decline, leading consumers to invest in frequently higher priced nationally branded appliances instead of lower ticket alternatives with low brand recognition which are more apt to burn out within a shorter span of time.

Most of the suppliers cited as top performing brands in the department said increased involvement with the retailer—including intensified micromarketing efforts—helped to strengthen their position relative to competitors.

DSN's track record with the annual Top Brands Study has revealed most categories have a single top brand that the vast majority of retailers think of as a category leader. In cosmetics it is Maybelline, and in housewares it is Rubbermaid. In personal care appliances, Conair is that brand.

Conair has topped the list of top performing personal care brands every year since *DSN* began conducting these surveys. According to Frank Lindsey, vice president, marketing at Conair, attention to "core products" without being distracted by "faddish" appliances is an element to Conair's success.

Gift-with-purchase, in-store merchandising tools and other buying incentives tailored to the particular retailer's needs are also a factor. "With our facial sauna, we packaged free Neutrogena soap; with driers and curling irons, we have packaged brushes and toiletries. Where there is a synergy between the products, we will consider it," Lindsey explained.

The Conair programs apparently work well for Kmart where seven out of every 10 store managers named the brand as a top performer, and nearly as many Wal-Mart store managers concurred.

Gift-with-purchase, in-store merchandising tools and other buying incentives tailored to the particular retailer's needs have enabled Conair to consistently be named as a top performing brand

Personal Care Appliances: Top Brands Vary by Outlet

	All Discounters		Conventional Discounters		Upscale Discounters	
Brand	**1991**	**1990**	**1991**	**1990**	**1991**	**1990**
Conair	57%	42%	60%	42%	45%	42%
Norelco	35	24	35	24	39	34
Vidal Sassoon	32	15	30	11	45	35
Remington	21	23	21	23	24	25
Windmere	17	14	19	14	8	13
Clairol	16	16	16	15	22	21
Jerri Redding	12	10	14	11	2	—
Black & Decker	5	6	5	6	6	6
General Electric	2	4	3	4	—	7
Proctor-Silex	2	2	2	3	1	1

Source: Discount Store News/*Leo J. Shapiro & Associates*

Conair's strength was evenly distributed across the country except for a slightly lower response rate from store managers in the North Central states.

The often referred to "partnership" between retailers and vendors was also a key for Norelco which, unlike Conair, had greater strength among upscale discounters than conventional chains.

John Beggs, president of Norelco, said the performance of his brand at retail has snowballed as a result of increased consumer advertising, new product introductions, and greater involvement with upper management at key accounts.

"We've made a concerted effort over the past 18 months to work with all levels of retail trade to help them understand the extra sales and profits that can be attained with our products. That means speaking more with Bill Fields [executive vice president, merchandise and sales] in the case of Wal-Mart, and Bill Underwood [senior vice president, general merchandise] at Kmart." Beggs was quick to note that informing these executives can help category buyers.

All of this has added up to a dramatic rise in the number of store managers saying "Norelco" when asked about their top personal care appliance brands. In 1990, less than one-fourth of all managers mentioned Norelco, while this year, more than one-third considered it a leading brand. A minimum of one-third of retailers from each geographic region said Norelco was a top performing brand except for the West, where a little under one-quarter of retailers cited the brand.

Store managers' view of Vidal Sassoon's performance rose at an even more dramatic rate, more than doubling response levels in a year's time. Since 1987, Vidal Sassoon has remained virtually unchanged, with a flat 15% of store managers saying it was a top performer. But 1991 witnessed 32% of all store managers mentioning Vidal Sassoon. Like Conair, Vidal Sassoon has stepped up its gift-with-purchase promotions and interactions with senior management at the chains.

Target was Vidal Sassoon's greatest advocate, with more than half of all Target store managers naming it as a top performer. In fact, no other personal care brand was considered as important to Target stores as Vidal Sassoon.

The strength of a brand at one specific chain can at times be responsible for its overall response rate in the survey, while other brands have more of a broad-based popularity despite low recognition among Kmart, Wal-Mart and Target.

Remington, for example, received one of the highest total mentions in the personal care appliance category due to its strength at the "big three" although at all other conventional chains only one out of 10 store managers mentioned Remington.

Conversely, Windmere, which almost went unmentioned by Kmart and Target, received strong support from Wal-Mart store managers. In addition, Windmere fared better at all other conventional discounters than any other brand with the exception of Conair. Windmere equaled Vidal Sassoon's performance among other conventional discounters with three out of 10 saying each of these two brands were among the top performers at their store.

Personal Care Appliances
How Industry's Top 5 Fare at Chains

Brand	Kmart	Wal-Mart	Target
Conair	70%	66%	40%
Norelco	37	44	29
Vidal Sassoon	7	52	56
Remington	32	24	27
Windmere	2	24	4

Source: Discount Store News/*Leo J. Shapiro & Associates*

Personal Care Appliances
Top Brands Performance by Region

Brand	Northeast	South	North Central	West
Conair	62%	61%	48%	63%
Norelco	47	36	36	24
Vidal Sassoon	20	39	36	14
Remington	31	20	23	15
Windmere	26	19	10	22
Clairol	7	18	18	13
Jerri Redding	9	10	16	10
Black & Decker	6	3	6	10
General Electric	3	1	3	4
Proctor-Silex	—	2	5	—

Source: Discount Store News/*Leo J. Shapiro & Associates*

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Four P&G Brands Make Mark on Top 10

The top household chemical suppliers wield a great deal of power and influence in the discount store industry, but more than most categories, store manager response suggests there are opportunities for upstart companies to make a big splash in the cleaner category.

According to this year's Top Brands survey of retailers, the list of best performing brands in household cleaners remained relatively stable, with two exceptions, Dow—which has received strong support from Kmart and Target managers—and Cheer, which was a winner among Target store managers.

Still, Procter & Gamble is far and away the across-the-board leader in household chemicals as far as store managers were concerned, both measured by the strength of the P&G company and by the performance of its specific brands. Four of the Top 10 household cleaning brands were made by P&G.

Procter & Gamble's attention to environmental issues, including the development of concentrates that require less packaging combined with retailers' preference to work with as few suppliers as possible within a department, helped to build the shelf space and performance of P&G brands. A P&G spokeswoman said the manufacturer's success is attributable only to a steadfast commitment to quality and not to any new promotions or campaigns at retail.

Tide, which has been the category leader since *DSN* began the survey in 1987, reached its highest performance level with six out of every 10 store managers saying Tide was a top brand. Similarly, P&G, corporately, was viewed as a brand in its own right, with one fourth of the retailers surveyed—especially those with Wal-Mart and Target—saying it was a key "brand."

Some specific brands, by P&G and others suppliers, fared better at one chain more than another. For example, Kmart managers cited Dawn more frequently than other retailers as a top brand, and Cheer had almost twice the popularity among Wal-Mart managers as it did at Kmart.

Wal-Mart and Target store managers held up Colgate-Palmolive as a top brand far more than Kmart and all other discounters. Lever Brother's Wisk laundry detergent appears to be more of an uspcale discounter brand, with one out of every five Target store managers, and the same portion of store managers at other upscale discount chains, saying Wisk was a top performing brand in their department. But Wisk was not among the Top 10 brands overall due to the fraction of conventional discount store chains that either stock the brand or find that it is among their department's top performers.

If each of the net brand mentions by the parent companies were compared, P&G would still be No.1, but by a much greater margin. More than eight out of every 10 store managers said P&G or its various brands were top performers. Clorox would still have 36%; Drackett would be third with 28% of all mentions; Colgate-Palmolive would have 14%; Texize would have 13%, and S.C. Johnson, makers of Pledge and Johnson Wax, would have 8%.

While Procter & Gamble is the backbone of the household cleaner and chemical department, based on store manager responses, there also appears to be a spectrum of opportunity for both smaller suppliers and for private label firms that work with larger chains like Kmart, Wal-Mart and Target. The influx of new brands targeting the environmental market may have already expanded the spectrum of products typically offered.

Unlike most categories that were part of the Top Brands Survey, the sheer number of brands mentioned was extremely lengthy—40 individual brands—and at the same time, there were large numbers of brands that fell into the "other" brand category. In fact, lumped together, the "other" brand category would be No. 6 among the Top 10 cleaners with over 15% of all store managers finding some other brand, exclusive of the Top 40, which performs strongly in the category.

For instance, nearly one quarter of Kmart store managers mentioned brands other than the Top 40 as leading category performers, suggesting that, at least within household chemicals, a supplier need not be as big as Procter & Gamble or Clorox to be a significant factor in the department.

Further supporting the notion that there is room for more household chemical suppliers is the increase in the average number of brands each store manager mentioned as compared with other years. With the exception of food and snack items, no other category had as many brands listed by each store manager. An average of 3.1 household cleaners and chemicals were said to be top performers by each manager; in the past, the highest average number of household cleaner brands was 2.6 back in 1988.

In addition, 5% of store managers singled out household cleaners and chemicals as a department where the number of national brands sold had been increased over the past year.

The "other" brand group did not include store brand/private label mentions, which were also found to be strong contributors to the department, especially in contrast to most other hard goods categories. About 5% of Kmart and Target store managers said their in-house brands were a major household chemical "brand" at their chain.

Private label brands were believed to be top performers mostly among store managers in the Western states.

Six out of every 10 store managers surveyed named Tide as a top brand. (DSN photo)

Household Cleaners: Top Brands Vary by Type of Outlet

	All Discounters		Conventional Discounters		Upscale Discounters	
Brand	**1991**	**1990**	**1991**	**1990**	**1991**	**1990**
Tide	60%	54%	59%	53%	70%	61%
Clorox	36	26	35	26	41	24
Windex	25	14	25	13	26	22
Procter & Gamble	25	14	24	14	33	11
Cheer	15	8	15	8	16	7
Dow	14	6	14	6	18	5
Purex	13	12	15	14	2	—
Dawn	12	8	13	8	13	7
Lysol	8	8	8	9	10	5
Formula 409	7	7	7	7	5	4

Source: Discount Store News/*Leo J. Shapiro & Associates*

Household Cleaners
How Industry's Top 5 Fare at Chains

Brand	Kmart	Wal-Mart	Target
Tide	63%	66%	78%
Clorox	22	52	40
Windex	35	24	27
Procter & Gamble	13	38	33
Cheer	12	20	13

Source: Discount Store News/*Leo J. Shapiro & Associates*

Household Cleaners
Top Brands Performance by Region

Brand	Northeast	South	North Central	West
Tide	65%	59%	59%	58%
Clorox	39	44	30	24
Windex	28	24	24	30
Procter & Gamble	27	26	32	11
Cheer	12	12	22	10
Dow	6	12	21	12
Purex	10	16	10	16
Dawn	13	10	18	9
Lysol	7	6	10	9
Formula 409	9	5	4	14

Source: Discount Store News/*Leo J. Shapiro & Associates*

Big Yellow Wins Again, But Competitors Gain

Kodak was once again the easy winner in *DSN's* annual Top Brands survey of discount store managers, with its highest mention rate in five years. But other major brands gained even more dramatically.

The survey, conducted by Chicago-based Leo J. Shapiro & Associates for *DSN*, asks discount store managers to name the top performing brands in major departments.

The order of the top five was unchanged from last year, but every brand increased its rate of mentions. More than eight of 10 store managers mentioned Kodak this year, an increase of about 5 percentage points, but No. 2 Canon jumped from under 30% to over 40% of managers noting the brand as a top performer.

Polaroid's mention rate leaped 10 percentage points, with more than three of 10 managers citing the brand, which had been slipping for three years. Minolta and Fuji (as well as No. 6 Pentax) increased mention rates as well.

The biggest percentage gainer was No. 7 Vivitar, which doubled its 1990 rate, moving up from No. 9, while Nikon slipped to No. 8 despite increasing its rate of mentions. Sony and Olympus both leaped onto the chart, displacing Scotch and 3M.

Differences were clear when the ratings were analyzed on a chain-by-chain basis. Kodak was an easy No. 1 everywhere, but was overwhelming at Kmart, where nine out of 10 managers named the brand.

At Wal-Mart, Canon and Polaroid gave Big Yellow a run for its money. Eight of 10 Wal-Mart managers cited Kodak, six of 10 named Canon and four of 10 named Polaroid.

Canon performed well at national chains, but not as well with regional discounters. At conventional discounters other than Kmart and Wal-Mart, only one in five managers named Canon.

Polaroid, which has placed its OneFilm 35mm film at almost every discounter in the country to go with its instant products, was a study in consistency, with almost equal mention rates across the board, while Minolta's performance was affected by Target managers, more than three of 10 of whom mentioned the brand. Minolta was nearly as popular with Kmart managers.

Fuji's strength is with regional discounters, with whom it finished third, but it also has a presence at the majors. For the first time, it was mentioned by Wal-Mart managers (Wal-Mart recently restocked the brand after a 1987 "Made in America" purge), and its stock at Kmart also is rising.

About one in five Target managers mentioned Pentax, which also did well at Wal-Mart and other upscale discounters. However, regional conventional discounters did not mention the brand.

Vivitar placed seventh, due almost entirely to Target managers and regional discounters. Sony, a major gainer in consumer electronics, scored with Target managers, probably due to its popular camcorder line, and Olympus, which bare-

Photo, Camera: Top Brands Vary by Outlet

	All Discounters		Conventional Discounters		Upscale Discounters	
Brand	**1991**	**1990**	**1991**	**1990**	**1991**	**1990**
Kodak	82%	77%	83%	79%	74%	63%
Canon	41	28	41	25	42	43
Polaroid	33	23	32	22	30	24
Minolta	21	19	20	19	25	23
Fuji	13	11	15	12	5	6
Pentax	10	7	8	6	19	12
Vivitar	8	4	7	4	12	4
Nikon	7	5	6	3	14	12
Sony	2	3	1	1	8	11
Olympus	2	3	2	3	4	5

Source: Discount Store News/*Leo J. Shapiro & Associates*

The power behind the

© Eastman Kodak Company, 1991. Kodak, Gold, Photolife and Star are trademarks.

ly missed the top 10 last year, narrowly edged out Emerson for 10th place, again mostly due to Target managers.

Regionally, there were a few interesting variations. While Kodak was an easy No. 1 nationwide, its share in the Northeast and North Central United States was remarkable; about nine of 10 managers in those regions named Kodak, compared to about three in four over the rest of the country.

The West Coast showed clear preference patterns, particularly toward such higher-end products as Minolta and Canon, each of which was named by a higher percentage of Western store managers than in any other region (nearly half of Western managers named Canon, and about one in three named Minolta). Canon was also a favorite of Southern store managers, mirroring its strong finish with Wal-Mart managers.

Polaroid was strongest on the East Coast, in the Northeast and South, while Fuji performed strongly in its traditional West Coast market and, for the first time, did almost as well in the Northeast, possibly due to its high profile at Ames.

***Kodak was an** easy No. 1 everywhere, but was overwhelming at Kmart, where nine out of 10 managers named the brand.* (DSN photo)

The only other significant variation was the performance of Vivitar, which showed strongly among Northeastern managers—one of five mentioned the brand.

Store managers were asked to name a department where there had been an increase in national brands carried in the past year. Photo, perhaps predictably, received only token mentions, cited by merely 1% of managers.

The average manager named 2.4 brands in response to the survey, a bit above average as a department, suggesting that photo brands tend to be top of mind.

Asked which categories they feel they have influence over in products stocked, managers clearly didn't rate photo very highly. Only one manager, well under 1% of the universe, cited the department, compared to the more than a quarter of managers who felt that they influence both the candy/snacks and H&BA departments. Only greeting cards finished lower in the survey.

Photo, Camera
How Industry's Top 5 Fare at Chains

Brand	Kmart	Wal-Mart	Target
Kodak	90%	84%	76%
Canon	48	60	42
Polaroid	28	40	24
Minolta	28	22	33
Fuji	12	6	2

Source: Discount Store News/Leo J. Shapiro & Associates

Photo, Camera
Top Brands Performance by Region

Brand	Northeast	South	North Central	West
Kodak	93%	76%	90%	78%
Canon	35	45	36	44
Polaroid	40	37	30	23
Minolta	18	19	20	31
Fuji	20	7	14	21
Pentax	11	10	10	6
Vivitar	19	4	9	7
Nikon	8	7	8	4
Sony	2	2	1	6
Olympus	3	1	1	5

Source: Discount Store News/Leo J. Shapiro & Associates

sale.

Every KODAK STAR 35 mm Camera is backed by unequalled selling power. Just flip over the package and look behind the camera. Where you'll find vouchers worth $10 toward KODAK Film and KODAK Batteries that will drive customers back to your store.

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And behind it all is the selling power of the name prized by customers the world over.

So call your Kodak sales account executive today. And put your camera decisions behind you.

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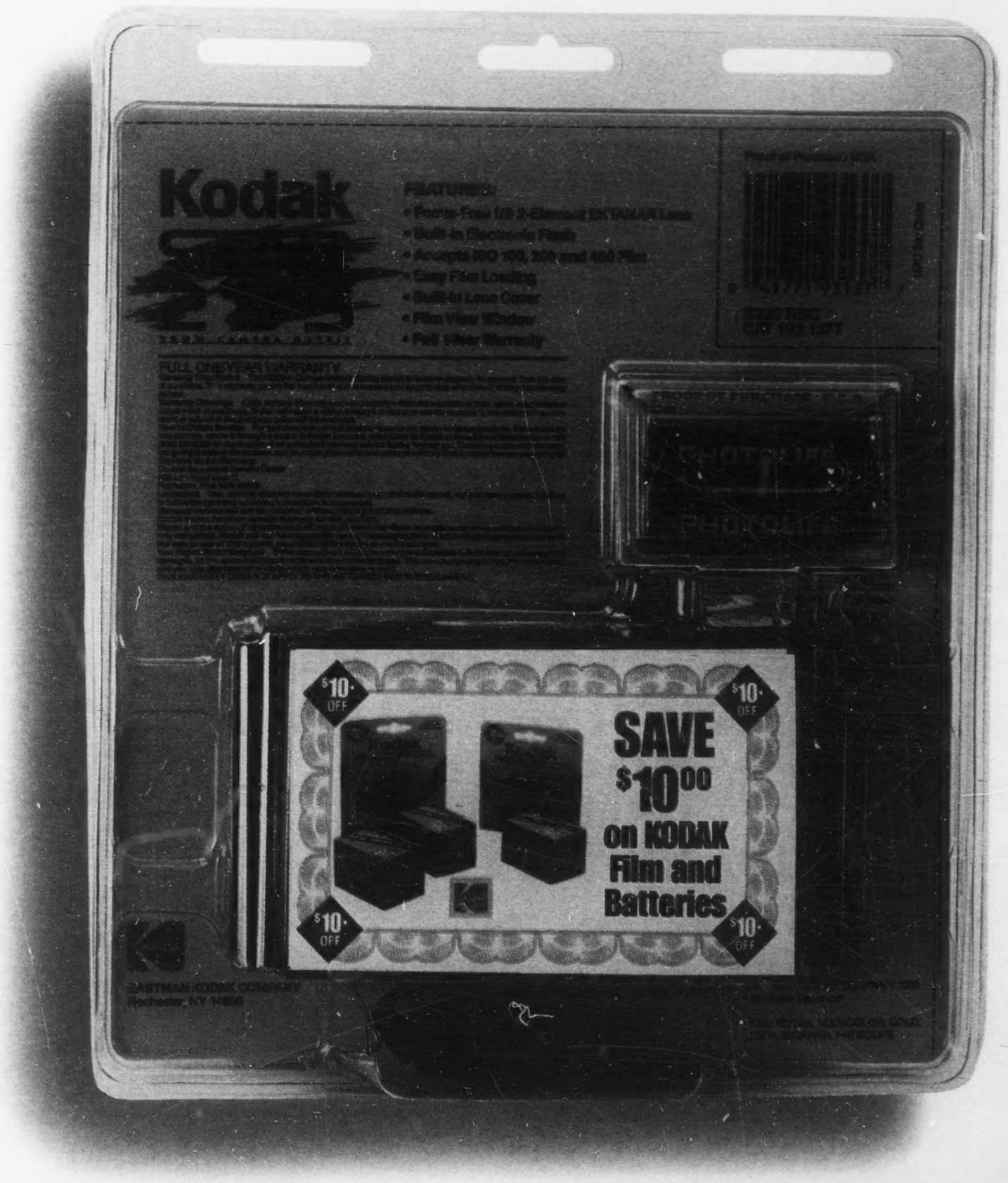


Brands Paramount in H&BC Department

Health and beauty care is probably the leading hard lines consumable department, offering discounters the greatest opportunity to establish and reinforce their commitment to name brands and to use this identity to draw more shoppers on a continuous basis.

The importance of brands in merchandising H&BC was evident in *DSN*'s Top Brands Survey, which tracked more labels—70 different names—in this category, almost twice that of the department with the next highest count of brands. The 70 brands marked a 9.4% increase from the number of H&BC products mentioned by discounters in the 1990 study.

Health & Beauty Care: Top Brands Vary by Type of Outlet

Brand	All Discounters		Conventional Discounters		Upscale Discounters	
	1991	1990	1991	1990	1991	1990
Crest	44%	40%	43%	40%	54%	39%
Colgate	24	18	24	17	26	22
McNeil Lab	22	15	23	15	17	14
Johnson & Johnson	20	9	21	8	21	14
Suave	14	10	14	11	8	3
Listerine	13	9	14	10	14	6
Procter & Gamble	12	11	12	12	15	8
Clairol	9	7	10	6	6	8
Scope	8	5	8	5	9	5
White Rain	8	9	9	10	8	8

Source: Discount Store News/*Leo J. Shapiro & Associates*

Health & Beauty Care How Industry's Top 5 Fare at Chains

Brand	Kmart	Wal-Mart	Target
Crest	47%	40%	51%
Colgate	27	26	16
McNeil Lab	22	24	16
Johnson & Johnson	13	36	22
Suave	15	12	4
Listerine	18	14	7
Procter & Gamble	18	10	20
Clairol	18	4	4
Scope	12	2	7
White Rain	3	16	2

Source: Discount Store News/*Leo J. Shapiro & Associates*

This increase denotes the intensive effort that all discounters have been making to feature name brands in their H&BC department, a trend borne out in survey results for the past five years. In this annual tracking, H&BC has always been one of the two departments cited as showing the greatest increases in the number of national brands carried—and this year's survey was no exception. Discounters, for the second year in a row, ranked H&BC No. 1 in this regard.

An important factor in the extensive deployment of brands in H&BC is due to store managers' input in their chains marketing of this department. The managers, able to feel the pulse of their local markets, are the key to their chains' targeting the strongest products, thereby enhancing the category's importance in drawing shoppers. In fact, overall, managers cited H&BC as one of the two categories in which they felt that they had the most influence in merchandising.

The H&BC focus was particularly strong at Kmart. The managers who were surveyed specifically cited H&BC ahead of any other merchandise arena as the department in which they felt they had the most influence. The chain's managers also listed H&BC first as an example of a department offering more name brands than in past years.

The impact of Kmart's focus on H&BC can be gauged from a separate, unrelated *DSN*/Leo J. Shapiro & Associates survey conducted last year as part of the *DSN*'s study of the discounter. Surveyed Kmart customers gave the highest ratings to the H&BA department in new stores, remodeled units and all Kmarts.

Managers overall also pointed to H&BC as the prime example of a department offering more branded merchandise that in the past.

While the 1991 Top Brands survey tallied more H&BC products, the rankings of the three leading names remained constant and overall the same brands made the Top 10 listing. It's the first time in a number of years that at least one product that was ranked lower in the previous survey didn't break into the current Top 10.

The lockhold of Crest and Colgate on the No.1 and No. 2 spots isn't surprising, but McNeil Lab's strong showing—retaining its No. 3 listing—is somewhat unusual. McNeil Lab doesn't produce any product under its own label, but markets two well-know and highly promoted items, Tylenol and Sine Aid. Advertising of products to relieve head discomfort has grown in the past few years due to the introduction of new brands, and McNeil Lab's has, accordingly, made a sustained ad effort—successful according to the Top Brands study—to retain its market share.

Of the Top 3 brands, McNeil Lab, in fact, was the only one to received higher mentions at all three discounters, gaining three percentage points at Kmart, six at Wal-Mart and two at Target. Crest dropped 10 percentage points at Wal-Mart but gained five at Kmart and four at Target, while Colgate, showing the opposite trend, gained eight percentage points at Wal-Mart and declined five at Kmart and seven at Target.

After the Top 3, the overall lineup of brands shifted slightly with Johnson & Johnson moved to No. 4 from No. 6 while Clairol and Scope each gained a notch to No. 8 and No.9 and Suave and Listerine held steady at No. 5 and No. 6. Listerine was one of a trio tied for this listing last year. Dropping down in rankings were Procter & Gamble, which slipped three places to No. 7 and White Rain, off four spots to No. 10.

While the H&BA lineup at conventional discounters mirrored that of the overall listing, the ranking among upscale chains showed some key differences. Johnson & Johnson actually placed third among these retailers, while McNeil Lab, Procter & Gamble and Listerine were fourth through six. Suave, which showed up as No. 5 in the overall and conventional listing due to its merchandising attraction as a low priced product, was tied for No. 9 among upscale chains which aren't as price sensitive as the conventional discounters.

The three leading brands all scored high on the charting of the Top 5 products at the Big Three discounters. But some of the five brands that didn't make the top five actually performed better at the individual chains. Among these five products, double-digit scorers included: Procter & Gamble with a 20% rating at Target; Procter & Gamble, Listerine and Clairol, each with an 18% mark at Kmart, and White Rain, Listerine and Procter & Gamble with 16%, 14% and 10% scores at Wal-Mart.

On a regional basis, the Top 3 brands all gained more citations in each area except for Crest, which was off five percentage points in the West. Listerine, which was the only top 10 brand that failed to gain any mention last year in two regions, the Northeast and West, this year ranked No. 3 in the former and tied for No. 7 in the latter. White Rain, which also didn't garner any citation in the Northeast last year, came in at No. 7 this year, but wasn't mentioned at all in the West.

***The Health & Beauty Care category** is swamped with numerous high profile top performing national name brands.* (DSN photo)

Health & Beauty Care Top Brands Performance by Region

Brand	Northeast	South	North Central	West
Crest	69%	43%	42%	38%
Colgate	43	24	16	28
McNeil Lab	23	25	18	19
Johnson & Johnson	2	23	30	9
Suave	11	12	13	24
Listerine	36	11	11	10
Procter & Gamble	5	11	15	14
Clairol	1	6	14	11
Scope	24	3	9	10
White Rain	6	10	10	—

Source: Discount Store News/*Leo J. Shapiro & Associates*

Top Stationery Brands Consolidate Their Support

Stationery
How Industry's Top 5 Fare at Chains

Brand	Kmart	Wal-Mart	Target
Mead	55%	62%	76%
Bic	33	18	29
Stuart Hall	8	22	33
Cambridge	25	2	13
Papermate	10	2	2

Source: Discount Store News/Leo J. Shapiro & Associates

Mead and Bic again led the lineup of top performing stationery (exclusive of greeting cards) department brands this year.

DSN's poll of discount store managers showed that overall few retailers are expanding the number of national brands they are carrying in the department, but the top brands are consolidating their positions as strong performers.

Stationery manufacturers have noted the renewed social consciousness of consumers, and companies which stressed environmental and conservation themes certainly benefited from improved sell-through at retail. Mead and Stuart Hall, both with lines featuring products made from recycled paper fibers, significantly improved their standing in the minds of discount store managers.

Mead, the top performing brand in each of the past five years, retained and improved its position at the top of the stationery department list. Nearly one-third more store managers named Mead this year over 1990 as among their top performing brands in the stationery department. With 60% of total mentions, Mead lead runner-up Bic by 34 percentage points even though Bic also snared a larger percentage of mentions this year than last. The company known for its writing instruments re-

(Continued on page 86)

Stationery
Top Brands Vary by Type of Outlet

	All Discounters		Conventional Discounters		Upscale Discounters	
Brand	1991	1990	1991	1990	1991	1990
Mead	60%	49%	60%	49%	65%	49%
Bic	26	21	25	20	36	30
Stuart Hall	19	8	16	8	28	6
Cambridge	12	7	12	6	10	14
Papermate	6	9	6	10	2	6
Pentel	3	2	3	1	3	9
Scotch/3M	3	1	3	1	2	3
Parker	3	2	2	1	6	3
Norcom	2	3	3	3	—	—

Source: Discount Store News/Leo J. Shapiro & Associates

Stationery
Top Brands Performance by Region

Brand	Northeast	South	North Central	West
Mead	55%	61%	70%	44%
Bic	27	26	25	28
Stuart Hall	22	23	12	18
Cambridge	16	7	9	23
Papermate	9	4	7	6
Pentel	3	2	3	7
Scotch/3M	9	—	5	3
Parker	11	2	3	1
Norcom	—	4	2	—
Hallmark	—	2	2	—

Source: Discount Store News/Leo J. Shapiro & Associates

Greeting Cards' Stability Reflects Uniqueness of Category

The greeting card category showed no change in ranking in *DSN*'s 1991 Top Brands survey, the second year the study has tracked this department.

But the charting did show some significant changes—including the growing dominance of American Greetings as the leading brand—that reflect the unique merchandising of greeting cards.

In greeting cards, discounters don't merchandise a broad assortment of brands. The choice is among the sentiments of the cards, determined by holidays or other occasions.

Discounters rely on one line of cards as the core of their merchandising, with a second and occasionally a third, in subsidiary roles. This marketing approach showed up in the study in a number of ways.

The first was the charting of only five brands, fewest of any category. Second was the unaltered ranking. Third was the citing by surveyed store managers of greeting cards as one of three departments at the bottom of the list of categories in which they had the most influence in merchandising. Fourth was the failure of greeting cards to show up at all as an example of a department in which any increase in the number of brands being carried had occurred.

In the overall listing, American Greetings, the No. 1 brand, widened its lead over No. 2 Ambassador to better than a 3-to-1 ratio compared to last year's 2-to-1 margin. The rankings and gradations among the remaining three players remained the same.

Among conventional discounters, American Greetings increased its lead over Ambassador slightly, to 3-to-1, while the ratio between the two brands remained the same among upscale discounters. The standings of the three other lines remained the same in both the conventional and upscale discounter groupings.

Among the Big Three discounters, American Greetings was named as the top brand by more Kmart and Wal-Mart managers, up seven percentage points at each chain, while its status among Target managers declined by four percentage points. Ambassador's contrary ranking included a nine percentage point jump in mentions by Target managers, with fewer citations by Kmart managers (4%), and Wal-Mart managers (9%).

Sangamon showed the only other significant change as almost three times as many Kmart managers cited the brand, while almost a third less Wal-Mart managers mentioned the line. There was little meaningful movement for the other brands among the three discounters.

American Greetings' stronger showing was also evident in the regional charting—up 15 percentage points in the Northeast, up seven in the South, up six in the North Central region and up 20 in the West. Ambassador's mixed performance saw the brand gaining one percentage point in the West, while dropping five in the North Central region, down six in the South and staying the same in the Northeast.

The only other significant regional changes were Gibson declining by 11 percentage points in the West and Hallmark down eight in the Northeast and off 11 in the West.

Greeting Cards
How Industry's Top 5 Fare at Chains

Brand	Kmart	Wal-Mart	Target
American Greetings	65%	60%	49%
Ambassador	8	24	51
Gibson	5	6	0
Sangamon	17	2	0
Hallmark	2	6	4

Source: Discount Store News/Leo J. Shapiro & Associates

Greeting Cards
Top Brands Performance by Region

Brand	Northeast	South	North Central	West
American Greetings	77%	56%	59%	64%
Ambassador	13	20	13	17
Gibson	6	5	10	4
Sangamon	0	3	9	5
Hallmark	0	4	6	2

Source: Discount Store News/Leo J. Shapiro & Associates

Greeting Cards: Top Brands Vary by Type of Outlet

	All Discounters		Conventional Discounters		Upscale Discounters	
Brand	1991	1990	1991	1990	1991	1990
American Greetings	61%	51%	58%	49%	69%	62%
Ambassador	17	20	14	19	31	28
Gibson	7	8	8	9	0	0
Sangamon	5	6	6	7	0	0
Hallmark	4	5	3	5	7	9

Source: Discount Store News/Leo J. Shapiro & Associates

Coleman, Fishing Brands Gain Prominence

The lineup of the leading sporting goods top brands, Coleman, Wilson, Zebco and Spalding, remained unchanged in 1991 from last year, but increased their "mind share" among discount store managers.

Zebco closed to within three percentage points of overtaking Wilson, which held second place in the Top 10 rankings. Moreover, Coleman, which had been narrowly swapping first place honors with Wilson over the previous four years, opened a 15-point advantage over Wilson. Coleman drew 54% of total top brand mentions, compared to 39% for Wilson and 36% for Zebco.

Showing the growing importance of the discount store for fishing tackle, Shimano for the first time joined three other fishing tackle brands—Zebco, Garcia and Daiwa, on the Top 10 chart. Discount stores account for 50% to 60% of fishing tackle sales.

Diversified Products, a producer of exercise equipment, edged onto the Top 10 chart in a three-way tie with Daiwa and Rubbermaid. Its entry reflects the growing importance of exercise equipment, such as air bikes, stair steppers and tread mills, in sporting goods.

In a surprising development, given the strength of mountain bike sales, Huffy dropped off the Top 10 list this year to No. 11 and Murray slipped off the chart as well. In 1990, Huffy had held the No. 5 position, while Murray tied with MacGregor and Franklin for 10th place.

A possible explanation for Huffy is that store managers place its bikes in toys, rather than sporting goods. In toys, Huffy ranked No. 7, with 12% of first brand mentions. This year, Igloo took the No. 5 sporting goods slot.

The last five brands on the Top 10 chart were closely clustered. Of 276 managers surveyed, 29 mentioned Garcia as one of their top brands, 27 named Shimano, 24 each cited Daiwa and Rubbermaid, while 23 named DP.

The number of managers who said they carry more sporting goods brands crept up again this year. Of those surveyed, 8% said brands increased, compared to 5% in 1990 and 3% in 1989. Helping to drive that increase, Wal-Mart is phasing out its imported private label, Winner's Choice, in favor of national brands.

In sporting goods, store managers mentioned an average of 3.0 brands as top performers, compared to 2.2 for all departments.

Among significant variations among the Top 3 chains, Coleman made its strongest showing with Wal-Mart managers, drawing 64% of total mentions. That compares with 54.9% from Kmart managers and 42% from Target managers. Regionally, Coleman made its best showing in the Northeast, garnering 63% of all top brand mentions, compared to 48.5% in the North Central region.

Wilson did best among Target managers, drawing 51% of their mentions, compared to 40% of those from Kmart.

Among Western managers, Wilson drew 43% of total mentions, compared to a regional low of 29% in the Northeast.

Conversely, Zebco demonstrated the most strength with managers in both the Southern and North Central regions, drawing 41% of their top brand mentions, compared to 20% in the West.

In a major variation by chain, Zebco accounted for 61% of total mentions from Wal-Mart managers, compared to 18% from Target managers.

"Coleman is the dominant supplier" for the Wal-Mart in State College, Pa., said manager Brent Hardin. "It's very successful here," Hardin said. Opened last fall, the store is located in a mountainous area with plenty of climbing, camping, hunting and fishing.

"We have trouble keeping Coleman on the shelves," Hardin said. "It just blows out."

"We don't carry that much Wilson," he said.

As for Zebco's strong third place showing, "it's a very recognizable brand," Hardin said. "When you think of fishing, you think of Zebco."

"All fishing does real well," Hardin said. "We've had good luck with Shimano. It's done some promotions to highlight its advertising."

DP offers "some good prices on some good items," Hardin said, in particular its Megaflex gym. "It does what Solarflex does but much cheaper.

"The trend toward fitness is much more pronounced than in the past," Hardin said.

But Hardin was puzzled about why Huffy and Murray slipped off the Top 10 list.

"It's been a good year for bikes," Hardin said. "Both Huffy and Murray sell well, and we've had no trouble with either brand."

Mike Stine, the new manager of the Kmart in Mt. Pocono, Pa., also was mystified about Huffy and Murray. "Bikes are selling like there's no tomorrow. We went on automatic replenishment to keep them in stock," he said.

New product introductions, including a 54-quart chest, could account for Igloo's top brand standing, Stine said.

And "strong advertising" helps explain Shimano's jump onto the Top 10, he said.

"All fishing is strong here because it's a resort area," he said. "We have a lot of lakes."

Mike Wardian, customer service manager for Shimano, offers another explanation: the ability to custom design rod and reel combinations for discounters, with distinctive features, cosmetics and packaging, so, say, Wal-Mart and Kmart don't have to compete on the exact same product.

In addition, Shimano's Service Plus Program allows each individual store to place its own orders weekly or daily, Wardian said.

Dennis Jackson, Zebco marketing director, gave credit to a 95% brand awareness, a growing market share and "the most aggressive advertising in the industry" for Zebco's improved standing in 1991.

Coleman president Bob Ring gave much credit to introductions, 30 to 35 a year, for his brand's gain. Those include stoves and lanterns that burn cheaper unleaded auto gas. And Coleman brought back tents, a category it abandoned.

In addition, "our people work diligently to provide on-time and just-in-time deliveries" to service discounters, Ring said. Coleman is on EDI with all major accounts, Ring said.

In merchandising, Coleman is repeating the "Third-Quarter Blitz" it launched last fall, offering a long list of promotional items for fall hunting, tail-gate parties and Christmas, Ring said.

Chris Considine, vice president for sales and promotion at Wilson's Team Sports division, said that the probable reason that Coleman opened its lead over Wilson, particularly among Wal-Mart managers, was its two-week promotion in May and June at Wal-Mart. The promotion "drove the business," Considine said. The introduction of EDI with the Big Three of discounting "definitely helped" Wilson's own standing, he added.

Also, the baseball category "exploded last year" for Wilson, Considine said, giving credit to such new products as the Optima line of softball gloves at a $59 opening price point. The basketball endorsement of the Chicago Bulls' Michael Jordon also helps account for Wilson's top brand ranking.

Zebco, shown at Kmart, *and other fishing tackle brands like Shimano, Garcia and Daiwa were strong brand performers last year.* (DSN photo)

Sporting Goods
Top Brands Performance by Region

Brand	Northeast	South	North Central	West
Coleman	63%	53%	49%	61%
Wilson	29	39	39	43
Zebco	22	41	41	20
Spalding	37	28	30	34
Igloo	22	20	11	11
Garcia	14	8	9	13
Shimeno	6	12	6	10
Daiwa	7	9	4	15
Rubbermaid	8	14	3	4
Diversified	5	13	3	4

Source: Discount Store News/*Leo J. Shapiro & Associates*

Sporting Goods: Top Brands Vary by Type of Outlet

	All Discounters		Conventional Discounters		Upscale Discounters	
Brand	1991	1990	1991	1990	1991	1990
Coleman	54%	39%	55%	38%	49%	44%
Wilson	39	33	36	32	51	40
Zebco	36	22	38	24	22	10
Spalding	31	21	28	19	39	33
Igloo	16	4	15	4	20	7
Garcia	10	7	11	7	3	5
Shimeno	9	3	10	4	4	1
Daiwa	8	4	9	5	5	2
Rubbermaid	8	6	7	7	14	6
Diversified	8	3	7	2	10	7

Source: Discount Store News/*Leo J. Shapiro & Associates*

Sporting Goods
How Industry's Top 5 Fare at Chains

Brand	Kmart	Wal-Mart	Target
Coleman	60%	64%	42%
Wilson	40	46	56
Zebco	33	60	18
Spalding	30	30	36
Igloo	12	22	18

Source: Discount Store News/*Leo J. Shapiro & Associates*

Auto Brand Performance Fragments in '91

Quaker State spun out in its race with Pennzoil for top honors in the top brands competition in 1991 and skidded to fourth place, while Pennzoil held steady at its 1990 pace.

Making the strongest gain of any automotives top brand, Havoline raced ahead to capture a solid No. 2 slot. And Prestone tucked into Havoline's slip stream in the No. 3 slot, doubling its percentage of mentions as a top performing brand by discount store managers.

For the previous four years, Pennzoil and Quaker State had been trading first place, often with wide swings in their leads. In 1987, for instance, Quaker State dominated Pennzoil, garnering 54% of total top brand mentions, compared to 34% for its archrival.

But last year, Pennzoil won, 40% against 28% for Quaker State. In the 1991 race, Pennzoil again garnered 40%, but Quaker State dropped to 31%, behind 35% for Havoline and 34% for Prestone.

What the 1991 survey results suggest, then, is that no one brand owns the category, as Quaker State once did.

As usual, though, motor oils, filters and automotive chemicals controlled the Top 10 list, reflecting the market realities that changing motor oil and radiator coolant and waxing the car are among the few do-it-yourself chores that many owners of modern, complex cars can handle.

Of the 10, five are oils: Pennzoil, Havoline, Quaker State, Valvoline, No. 6 and Castrol, No. 10. Fram, oil and air filters, took the No. 9 position, down from No. 3 last year.

Besides Prestone, another chemical brand that moved up sharply was Turtlewax, closely trailing Quaker State in No. 4 position with 30% of total mentions. Last year, Turtlewax held No. 9 position, with 9% and had just made the Top 10 chart in 1989 with 5%.

Including Armor All, No. 7, and STP, No. 8, automotives chemicals held four of the top 10 spots.

AC-Delco, the only parts brand on the Top 10 list for the past two years, dropped off the Top 10 chart for '91. That again indicates the difficulty that DIY customers have working under the hoods of today's cars.

Increases in the number of automotive brands tapered off this year, with only 2% of store managers saying they had increased the number. That compares with 5% in both 1990 and 1989.

Yet, managers named an average of 3.1 top automotive brands, significantly more than the average of 2.2 for all 21 categories of merchandise.

In the case of Quaker State, Turtlewax and Havoline, their shifts in the top brands standings closely reflect what is happening in the marketplace.

Quaker State has slipped to third or fourth place in monthly market share soundings, while Turtlewax has increased its market share to 40% of waxes and polishes from 31%.

Havoline, in part responding to retail concerns about shelf space and slim profits on oil, abandoned this spring its two oil budget niche, Havoline and Havoline Superior, and introduced a premium priced Formula 3 oil. That frees shelf space and permits a higher penny profit, although it still sells about a nickel a quart less than, say, Pennzoil and Quaker State.

Regional and chain variations for Houston-based Havoline, Texaco's motor oil brand, reflect its dominance in the South, where it is the market leader in several states.

From Southern managers, Havoline got 51.7% of their top brand mentions, compared to 23% out West.

Of Wal-Mart managers, 70% cited Havoline as a top brand, compared to 30% of Kmart managers and 15.6% at Target.

Conversely, Pennzoil is much stronger in the West, 66.4% of top brand mentions, compared to 30.1% in the South.

Pennzoil is more popular at Target, 48.9%, compared to 33.3% at Kmart.

No variations in the strength of Quaker State show up among the top three discounters. But regionally, Quaker State is strongest in the Northeast, 67.3% of total mentions, compared to 25.7% in the North Central region.

Valvoline is far stronger in the North Central region, 31%, than in the South, 8.9%.

Mike Stine, manager of the Wal-Mart in Mt. Pocono, Pa., suggests that advertising could explanation why Quaker State and Havoline are trading ground.

"I haven't seen as much Quaker State advertising this year as I have Pennzoil," Stine said, "but I have seen more Havoline advertising."

"I haven't seen anything dramatic about Prestone advertising" that would account for its increased standing, Stine added.

Havoline and Kmart are among the several co-sponsors of the Mario Andretti racing team.

At Wal-Mart, "Havoline is very strong," said Brent Hardin, manager of the new Wal-Mart store in State College, Pa. "It does a lot of cents off campaigns. We do a lot of special buying from Havoline," Hardin said.

From Pennzoil, Wal-Mart store managers "get a lot of support locally," Hardin said. "We've dealt with a lot more in-store promotions" with Pennzoil than Quaker State, he said.

Dave Harbour, regional coordinator for Havoline in its Formula 3 introduction, gives credit to "a better job of communicating with the retail trade" and an increase of more than 50% in consumer advertising for the new Havoline as reasons for its increased standing.

Eliminating the two-tier Havoline line in favor of a single oil simplified a retailer's lot, Harbour said. In surveys of retailers, Havoline found they wanted a simpler product line, he said.

The DIY oil market shrank about 10% to 15% last year because of the recession and the Gulf War, said an oil industry marketing source who requested to remain nameless.

Havoline was on a fast growth curve because it filled a market niche as the lowest priced national brand, the marketing executive said. Now that Havoline has abandoned that niche, its growth curve has flattened, he said, with Valvoline picking up market share from Texaco.

Pennzoil enjoys good rapport with discounters because it operates a dedicated sales force to work with the mass merchants and their buying staffs, he added.

Another plus for the brand is that it began sponsoring stock car racing this year, putting its sponsorship money on driver Michael Waltrip.

A return to more normal pricing for anti-freeze helps explain Prestone's gain in the top brands rankings, said Rick Bowen, vice president, marketing.

A shortage of glycol two years ago pushed the price of Prestone above $9 a gallon. "That turned people off," Bowen said.

Prestone now is selling as low as $4.46 a gallon at Wal-Mart.

In another move to gladden the hearts of discounters, Prestone has dropped consumer rebates, Bowen said. Instead, it is offering STP oil additives and protectants and Prestone Super-Flush to promote anti-freeze purchases.

At Turtlewax, new product introductions such as Finish 2001 this year and Liquid Crystal in 1990, helped Turtlewax increase its overall share of the wax market, such Chuck Tornabene, president of consumer products division.

For the first time, Turtlewax promoted three of its wax products on TV, boosting advertising support by 20%, Tornabene said.

In addition, its Wheel Brite wheel cleaner line is gaining distribution, Tornabene, with the addition of Kmart.

Prestone, at this Eagan, Minn., Target came in at No. 3 during this year's survey. (DSN photo)

Automotives: Top Brands Vary by Outlet

Brand	All Discounters		Conventional Discounters		Upscale Discounters	
	1991	1990	1991	1990	1991	1990
Pennzoil	40%	40%	39%	42%	45%	34%
Havoline	35	20	38	22	18	9
Prestone	34	17	34	15	40	15
Quaker State	31	26	31	25	32	30
Turtle Wax	30	9	33	10	17	5
Valvoline	17	15	16	15	22	15
Armor All	16	4	16	4	18	2
STP	15	6	15	6	13	4
Fram	12	25	11	21	24	46
Castrol	9	10	8	8	14	22

Source: Discount Store News/Leo J. Shapiro & Associates

Automotives
How Industry's Top 5 Fare at Chains

Brand	Kmart	Wal-Mart	Target
Pennzoil	33%	46%	49%
Havoline	30	70	16
Prestone	28	52	38
Quaker State	33	30	29
Turtle Wax	30	30	13

Source: Discount Store News/Leo J. Shapiro & Associates

Automotives
Top Brands Performance by Region

Brand	Northeast	South	North Central	West
Pennzoil	14%	30%	47%	66%
Havoline	17	52	25	23
Prestone	30	35	38	28
Quaker State	67	32	26	16
Turtle Wax	35	29	29	34
Valvoline	13	9	31	12
Armor All	22	14	9	31
STP	20	17	18	1
Fram	12	12	13	13
Castrol	15	15	4	1

Source: Discount Store News/Leo J. Shapiro & Associates

Stanley, B&D Command Dominant Positions

Stanley and Black & Decker continued to slug it out for the No. 1 place in *DSN's* annual Top Brands survey, all the while increasing their hammerlock on the hardware category.

Stanley edged out B&D in the 1991 results, garnering 77% of mentions as a top performing brand in the hardware department, while B&D landed 74% of the total.

In comparison, B&D beat out Stanley in 1990 by the same margin of 3 percentage points, 71% to 68%.

The overall increase in the percentage figures for 1991 indicates that discount store managers increasingly have Stanley and B&D on their minds when asked about top brands.

In 1988, for example, Stanley got just 56% of top brand mentions, while B&D got 54%.

Out of 276 discount managers who responded to the '91 survey regarding hardware, 230 mentioned Stanley as one of their top brands, while 221 cited B&D. Showing how much the top two predominate, No. 3 on the Top 10 charts was Glidden, with 13% of the total.

The other seven brands on the Top 10 range from Skil, 6%, to Bulldog (home improvement hardware) 2%.

The hardware category demonstrated the most volatility of any of the 21 merchandise categories.

The newcomers to this year's Top 10 are: Sherwin Williams, which owns Dutch Boy; Rubbermaid, thanks to diversification into tool boxes last year and mail boxes and recycling containers this year; and Bull Dog. Dropping off were Shop Vac, McCullough and Royal tools.

One explanation for the increased dominance of Stanley and B&D is that consumers in a recession are taking less of a chance on unfamiliar brands and are sticking to the better known ones. Another factor at work may be the maturity of the category, with the two key brands settling into increasingly dominant positions in the discount store channel of trade.

Despite the commanding position of the Top 2, 9% of managers questioned this year said they had increased the number of hardware brands, the same percentage as in 1990 but trailing the 14% in 1989.

In hardware, managers cited an average of 2.2 top brands, in line with the overall store average for all categories.

Stanley's strength ranged pretty much across the board, both regionally and among the Top 3 chains, without displaying any startling variations.

In contrast, B&D made its best showing in its Northeast home region, with 84.5% of managers there naming it a top brand, compared to 65.5% of managers in the West.

***The hardware category** was one of the most volatile this year with three newcomers to the Top 10 list and three dropoffs.* (DSN photo)

And Target managers preferred B&D over Stanley, giving it 91% of their total mentions, compared to 80% for Stanley.

In comparison, Kmart managers gave Stanley 83%, compared to 77% for B&D.

At Wal-Mart, 90% of its managers mentioned Stanley, compared to 80% for B&D.

Glidden drew most of its strength from Kmart, with 23 of 73 managers, or 30%, cited it as a top brand, compared to six of 79 mangers, or 8%, at Wal-Mart. In addition, 24% of Target managers consider Glidden a top brand.

Although a distant third, Glidden's increased strength in the position suggests the increasing important of home decorating to discount store hardware department managers.

Garnering 9% of top brand mentions in 1987, Glidden almost dropped out of the Top 10 chart in 1989, with just 1% of mentions. It improved its standing to 7% in 1990, followed by a 6 percentage point gain this year.

At the Wal-Mart store in State College, Pa., store manager Brent Hardin said neither Stanley nor B&D stands out. "There is no significant differences in sales" or other differences in how they perform, Hardin said.

But "Glidden seems to be more popular with our customers," Hardin said.

At the Kmart in Mt. Pocono, Pa., store manager Mike Stine said "there is a fine line of availability" of B&D power tools, such as cordless screwdrivers and other high-demand, high-pilferage items. "We have trouble keeping in stock."

Kmart is expanding on B&D's line of power tools accessories, such as saw blades and drill bits to a 22½-foot run from 15½-feet, Stine said.

Kmart has expanded its Stanley sku's by taking on its new accessory line of door hardware, Stine said, and the increases might account for Stanley's improved standing.

Stine also cited the Stanley bulk bin displays for tools and hardware introduced this April as another possible explanation.

"Glidden is highly promotional at the counter level," Stine said. "It always is running sweeps.

"Glidden offers good products at good prices."

Stanley gives credit to its new advertising image shift, promoting itself as a maker of professional quality tools, rather than tools for the do-it-yourself consumer, for its improved performance, said Bob Widham, group vice president, hand tools and home improvement products.

In addition, Stanley continues to improve its fill rate to 97% this year from 95%, Widham said.

Responding to suggestions from discounters, Stanley came out with its dump bin and cut case merchandisers for tools and hardware, Widham said.

In new products, Stanley has diversified into mechanics hand tools, supplying both a made in U.S.A. line and an import line that also carries the Stanley brand name, Widham said. And Stanley is now offering a complete line of tool boxes and chests.

"The move is toward national brands and away from private label," he said.

Stanley is leading the industry on EDI (electronic date interchange), Widham claimed. "EDI capability keeps turns higher," Widham said.

B&D is showing its commitment to the discount store class of trade with new product introductions, said Joe Galli, vice president of sales and marketing for U.S. power tools. The 20 new products over the past three years, include Snippies—battery powered electric scissors—priced at $9.95 as a Christmas stocking stuffer, and the Ranger, a more powerful cordless drill at $39.99.

The new product pace will pick up in 1991, he said.

To promote the brand name, B&D will increase Christmas TV advertising by 50%, over 1990, Galli said.

Advertising support creates a market for the brand," Galli said, "and increases discount store traffic."

B&D also has been aggressively expanding its accessory line, Galli said, adding more than 1,000 sku's over the past three years.

B&D's point-of-sale displays have been well received among discount store managers, he added as another explanation for its B&D's strong showing.

Frank Filmeck, Glidden sales manager, gives credit for its improved standing to superior service, having a sales staff dedicated to the mass market and enjoying the widest distribution among discount stores of any paint brand. Carried in about 4,000 discount stores, "Glidden is the most widely distributed paint brand in discount stores," he said.

Continuing its inroads among discounters, Glidden just began appearing in Clover stores, as well as Boscov's, a promotional department store chain that operates several discount stores called Ports.

Hardware
How Industry's Top 5 Fare at Chains

Brand	Kmart	Wal-Mart	Target
Stanley	83%	90%	80%
Black & Decker	77	80	91
Glidden	30	8	24
Skil	—	10	—
Dutch Boy	13	4	—

Source: Discount Store News/*Leo J. Shapiro & Associates*

Hardware: Top Brands Vary by Outlet

	All Discounters		Conventional Discounters		Upscale Discounters	
Brand	1991	1990	1991	1990	1991	1990
Stanley	77%	68%	77%	68%	75%	68%
Black & Decker	74	71	72	70	88	75
Glidden	13	7	13	6	18	14
Skil	6	5	7	5	2	4
Dutch Boy	5	5	6	5	2	1
Lucite	4	2	4	2	3	4
Sherman Williams	4	—	4	—	—	—
General Electric	3	4	2	3	9	12
Rubbermaid	2	1	1	1	10	4
Buli Dog	2	1	2	2	—	—

Source: Discount Store News/*Leo J. Shapiro & Associates*

Hardware: Top Brands Performance by Region

Brand	Northeast	South	North Central	West
Stanley	76%	74%	80%	76%
Black & Decker	84	72	77	66
Glidden	18	10	14	18
Skil	3	5	9	5
Dutch Boy	21	3	2	5
Lucite	10	4	3	4
Sherman Williams	—	3	4	5
General Electric	4	3	2	4
Rubbermaid	—	2	2	1
Bull Dog	—	3	—	3

Source: Discount Store News/*Leo J. Shapiro & Associates*

Brand Names Help To Bolster Sagging Toy Sales

Without a blockbuster toy or theme to bolster the sagging toy business, brand names have become more important than ever to retailers.

While many have long insisted that they are open to new products from fledgling manufacturers, the proof is missing.

A trip to any toy store or toy department bears out the fact that nationally known (and advertised) brands have more than the lion's share of designated shelf space.

In fact, the dominion that nationally advertised name brand toys have at retail reaches well beyond the confines of product packaging and is popping up on aisle signs and in customized point-of-purchase displays throughout toy departments. This pushes aside a smaller company's ability to find an audience by denying it shelf space, or overwhelming the meager amount allotted to it.

As a result, *DSN*'s 1991 Top Brands Survey reveals that the growth of national brand toys was extremely small in the past year (2%) as opposed to 6% for the average rate of brand growth for all departments in a discount store.

In addition, store managers noted that the average number of brands deemed "performers" was 2.9 in toys, a small increase over last year's 2.4 and well above the 2.2 item average for all departments.

So entrenched are the top toy labels that store managers have little influence over the contents in toys. Fewer than one in 10 managers (7.9%) said they can influence the contents of their toy department.

For example, Toys "R" Us has extensive POP programs with a number of major toy manufacturers including Lego, Mattel (Disney and Barbie) and Nintendo. Kmart, which recently revamped its toy department into a power area, also has major presentations of the above mentioned brands plus Little Tikes (a new 45-foot program), Revell-Monogram, GI Joe and Rose Art.

Other retailers have made similar efforts to let customers know they have a full compliment of toys from the best known national companies.

Overall, the top performing brand in toys was Fisher-Price. This year, however, Fisher-Price, which has held the No. 1 spot on *DSN*'s Top Brands list in toys since 1987, got a larger number of responses than it did a year ago, receiving nearly two-thirds (62%) of all mentions. Mattel, which has been in the No. 2 spot for five years, now rivals Fisher-Price in store managers' minds more than ever before.

This year, six of 10 store managers said Mattel products were top performers, up from 42% lat year.

Rounding out the top 10 best performing brands in the toy department were, in order: Playskool, 37%; Little Tikes, 29%; Hasbro, 18%; Lego, 15%; Milton Bradley, 13%; Huffy, 13%; Teenage Mutant Ninja Turtles, 6%; and Nintendo, 6%.

Playskool and Milton Bradley are Hasbro companies.

Thus, the three dominant toy labels on the 1991 survey are Hasbro, Fisher-Price and Mattel, which is about the way the industry views itself.

Store managers mentioned 27 toy labels as top performers this year. Notably absent from the list was Galoob, a troubled toy manufacturer. Galoob is trying to improve its industry standing with this year's doll entry, Baby Face, already well-received by retailers and consumers.

Rounding out the top 20 toy brands, in descending order were: Murray; Kenner; Tonka; Tyco; Coleco; Parker Brothers; Sega; Matchbox; Ertl; and Hot Wheels.

Interestingly, Teenage Mutant Ninja Turtles, with a mere 6% of store manager mentions, turned up again this year on the Top 10. The response level, however, was only half of last year's response level. Products bearing their images are licensed to many companies.

In 1990, retailers of all kinds said that Ninja Turtle action figures were the top selling toy. Now, while still a big seller, the energy level for Turtles' toys is waning, most every toy retailer agrees.

Nintendo, which made the Top 10 this year in the tenth position, reflects the confusion retailers have over the electronic game. Is it a CE item or a toy? This year the answer is both. (Nintendo came in eighth on the CE chart.)

And strangely enough, Nintendo appears on the Top 10 toy list in a down year for the brand. Despite retailers' frustration over adequate supply and low margins, Nintendo still performs well enough at retail to be deemed a top performing brand in two categories.

By chain, Fisher-Price was mentioned by store managers more often as a top performing brand than any other toy label. However, like the overall results, Mattel received nearly equal mentions with F-P.

By percentage, Target managers named F-P a top performer more often than managers at Kmart and Wal-Mart. Seven out of 10 Target managers (71%) named F-P a top performer compared to 65% of Kmart managers and 62% of Wal-Mart managers.

Two-thirds of Target managers said Mattel was a top performer, making it the No. 2 toy brand at the Minneapolis-based chain. Playskool was third with more than a third of the mentions, followed by Hasbro with more than a fourth of the responses. Huffy and Little Tikes—a company which is gaining ground at retail—were tied for fifth place.

So strong is the ascent of Little Tikes at retail that Wal-Mart managers named it a top performer as often as they did Fisher-Price, making the two brands tie for the top spot on the toy list. More than six out of 10 managers (62%) called F-P and Little Tikes, a Rubbermaid company, top sellers in the toys category.

Mattel was third among Wal-Mart buyers with nearly as many mentions (58%), followed by Playskool and Huffy in fifth. Hasbro was sixth.

After F-P, Kmart managers mentioned Mattel (61.7%) as a top brand. In third place was Playskool with more than four in 10 mentions. Lego, named by one-third of Kmart managers as a top performer, was in fourth; Milton Bradley came in fifth.

***This year, Fisher-Price,** No. 1 on the Top Brands list in toys since 1987, received nearly two-thirds (62%) of all mentions.* (DSN photo)

Toys: How Industry's Top 5 Fare at Chains

Brand	Kmart	Wal-Mart	Target
Fisher-Price	65%	62%	71%
Mattel	62	58	67
Playskool	43	28	36
Little Tikes	12	62	16
Hasbro	17	22	27

Source: Discount Store News/*Leo J. Shapiro & Associates*

Toys: Top Brands Performance by Region

Brand	Northeast	South	North Central	West
Fisher-Price	63%	58%	71%	56%
Mattel	53	61	62	61
Playskool	44	33	39	38
Little Tikes	40	38	26	4
Hasbro	17	23	13	15
Lego	19	13	13	20
Milton Bradley	33	11	15	4
Huffy	15	16	12	4
Teenage Mutant Ninja Turtles	7	5	3	11
Nintendo	3	5	9	1

Source: Discount Store News/*Leo J. Shapiro & Associates*

Toys: Top Brands Vary by Outlet

	All Discounters		Conventional Discounters		Upscale Discounters	
Brand	1991	1990	1991	1990	1991	1990
Fisher-Price	62%	57%	62%	54%	67%	72%
Mattel	60	42	59	44	66	35
Playskool	37	32	36	29	35	49
Little Tikes	29	21	30	22	22	19
Hasbro	18	13	17	14	26	10
Lego	15	6	15	5	17	9
Milton Bradley	13	14	13	15	17	12
Huffy	12	10	13	12	13	3
Teenage Mutant Ninja Turtles	6	13	5	13	5	14
Nintendo	6	3	6	3	5	3

Source: Discount Store News/*Leo J. Shapiro & Associates*

***Cambridge performed strongly** this year and was mentioned by 12% of store managers, up 5 percentage points on the survey.* (DSN photo)

Mead, Bic Lead Stationery Brands

(Continued from page 74)

ceived 26% of total mentions, up 5 percentage points from last year.

Stuart Hall, which recently reported that its Green Leaf line of recycled office and school supplies has been upgraded from 60% to 100% post-consumer waste paper, capped a two-year surge in the top brands rankings with a third place finish. In 1989, the Kansas City, Mo.-based stationery manufacturer received mentions as a top brand from just 3% of retailers surveyed in the *DSN*/Leo J. Shapiro & Associates poll. Last year, 8% of retailers named Stuart Hall as a top performing brand in the department.

In the just completed survey, the number of managers that named Stuart Hall more than doubled, to 19%, as the brand climbed up two rungs on the Top 10 standings in the department.

Cambridge brand products, a division of Mead, also performed strongly in the 1991 Top Brands Survey. Cambridge was mentioned by 12% of store managers, up 5 percentage points and two notches on the Top 10 ranking.

Rounding out the Top 10 were Papermate, Pentel, Scotch/3M, Parker, Norcom and Hallmark (the latter made the list despite its lack of distribution in the mass market under its own label).

Brands just missing the top 10 included Rubbermaid, Crayola, and Scripto.

Rubbermaid and Crayola were on the Top 10 list last year. Rubbermaid's office products line apparently does not receive the same top of mind awareness among store managers as its housewares products, which regularly lead that category.

Crayola suffered an even bigger drop-off: last year 10% of retailers mentioned the popular coloring products brand compared to just 1% this year. The brand was ranked third in 1990.

The average manager named 1.6 brands, a bit below average as a department, suggesting that only a few top stationery brands have developed a high degree of top of mind awareness of store managers.

At the top chains, there were a few changes in the lineup of top stationery brands. For instance, the top three performers, according to number of mentions, at Kmart were Mead, Bic and Cambridge. At Wal-Mart, the same three were mentioned most often but Cambridge had significantly more mentions than at Kmart. Mead got its strongest support among Target managers, as did Stuart Hall.

As far as regional performance is concerned, Mead was strongest in the North Central region and the South, and held its narrowest lead over the other brands in the West. However, Mead's Cambridge division was stronger in the West than in other regions.

Bic was a convincing No. 2 in all four regions, while Stuart Hall was stronger in the Northeast and South than in the North Central region and the West. Papermate and Parker made their best showings among Northeast store managers.

Asked which categories they feel they have influence over in products stocked, managers clearly didn't rate stationery very highly. Only 3% of the managers surveyed cited the department as the one in which they have the most influence on buying decisions, compared to the more than 25% who felt that they influence both the candy/snacks and H&BC departments. Only children's apparel, personal care appliances, photo, camera and greeting cards finished lower in the survey.

The Industry Spoke... and SHOPA Listened.

SHOPA...a newly formed School and Home Office Products Association of retail buyers and manufacturers

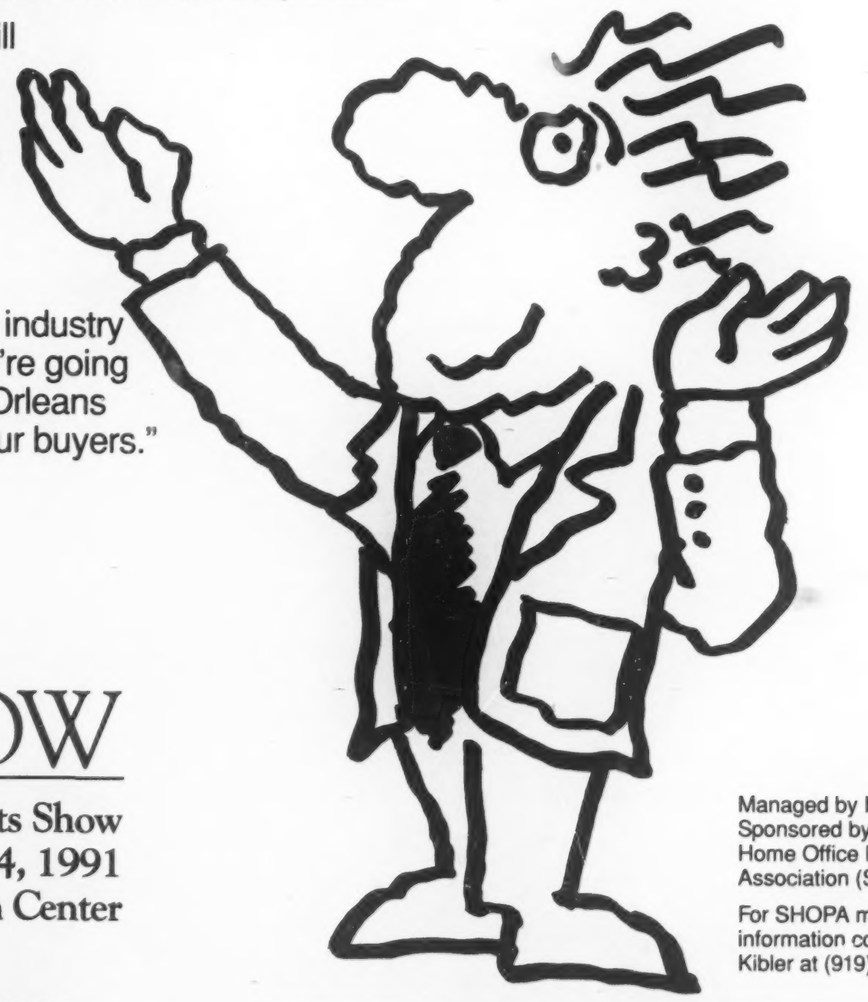
"Timing for the stationery trade show is very important. It must be scheduled to allow time to develop a recommendation for our stores' advertising and promotional plans."
—Merry Ballweber, Fred Meyer

"I want a four-day working show with appointments to preview products and programs with all my vendors. That's why I'm going to the SHOPA SHOW."*—Debbie Kelly, Walgreens*

"Providing what customers want is at the heart of any business. Retailers have asked for an earlier show in a 'friendlier' location for years. Now we can provide what they have wanted with this Association-sponsored event."*—Rex Miller, Mead Corporation*

"Exhibiting at the SHOPA SHOW will save us money. New Orleans is one of the least expensive convention sites. But even if it were more, seeing buyers before decisions are made is the only efficient use of our resources."
—Charlie O'Neil, Stuart Hall

"Finally, the mass market stationery industry has the right show at the right time. We're going to support the SHOPA SHOW in New Orleans this December, prepared to see all of our buyers."
—Jim Williamson, Esselte



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New Products, Price Wars Fuel Category

Price wars among food vendors in the past year have produced excellent values for shoppers and enhanced retail traffic. However, the cost has been paid with vendor profits.

For example, Frito-Lay, a Pepsico subsidiary, announced last month that it would layoff 1,800 people to save itself $100 million, keep prices stable and fund new product introductions, the lifeblood of the business. Industry experts expect similar measures from other companies.

Manufacturers are being pressed hard to introduce new items to keep products exciting to consumers. Recently, Pepsi unveiled a new logo in an effort to groom a younger audience of loyal consumers.

According to responses in *DSN*'s Top Brands Survey, store level managers noted that new introductions in the food, candy and snacks category are among the highest in a discount store.

When asked to provide an example of a category that has experienced an increase in name brand products, food, candy and snacks ranked ninth.

Overall, the Top 10 brands in food, candy and snacks received more manager mentions this year as top performers than they did in 1990, indicating the category is growing, satisfying consumer demands and fulfilling expectations.

Topping the list this year is M&M/Mars. Nearly half (47%) of all managers surveyed for food, candy and snacks mentioned either M&M, Mars or M&M/Mars as a top performing brand.

Two in 10 managers named "Mars" a top performer. "M&M" garnered one in 10 responses and "M&M/Mars," also a separate response, received nearly two in 10 manager mentions this year.

Rounding out the Top 10 performing brands in food, candy and snacks in 1991 were, in order: Frito-Lay, 38%; Planters, 36%; Hershey's, 33%; Brach's, 18%; Nabisco, 17%; Sather, 17%; Pepsi, 15%; and Little Debbie and Coke, each with 12% of manager mentions.

Among conventional and upscale discounters the lineup varied slightly.

For example, Sather, No. 7 among all discounters, was fifth among conventional discounters. Coke, 10th among all discounters and at conventional discount stores was fifth at upscale discounters, pushing Sather off the Top 10.

Generally, the results for the top four brands—M&M/Mars, Frito-Lay, Planters and Hershey's—were so close that the few percentage points separating them are irrelevant. These results indicate a very strong consumer franchise for each company and brand loyalty.

In fact, managers named 39 brands as top performers this year, an increase of six brands. They include Werthers, Eagle, Russell Stover, Herr, Orville Reddenbacher, Bachman, Kitchen Fresh, Cadbury and Cracker Jacks. In addition, two in 10 managers named brands other than these 39 top performers, further indicating strong regional and local labels.

So strong was the performance of brands beyond the Top 10 that even those labels that fell in the ranking charted an increase in the number of manager mentions.

For example, Coca-Cola, which came in No. 7 last year, dropped to 10th on the current survey but received more mentions than a year ago. Ocean Spray, No. 9 in 1990 and No. 12 this year, almost doubled its rate of mentions. Fisher, No. 10 in 1990, fell to 13th this year despite an increase in manager mentions.

Doubling Mention Rates

Top brands other than Ocean Spray that at least doubled their rate of mention this year included Sather, Pepsi, Little Debbie, Coke, Keebler, Nestle, Kraft, and Reese's, a Hershey's label.

By chain, M&M/Mars received more mentions by managers as top performers at Kmart and Target.

At Wal-Mart, as well as upscale discounters such as Caldor and Bradlees, Frito-Lay—generally considered the nation's No. 1 snack food brand—was the top performing brand, according to manager responses.

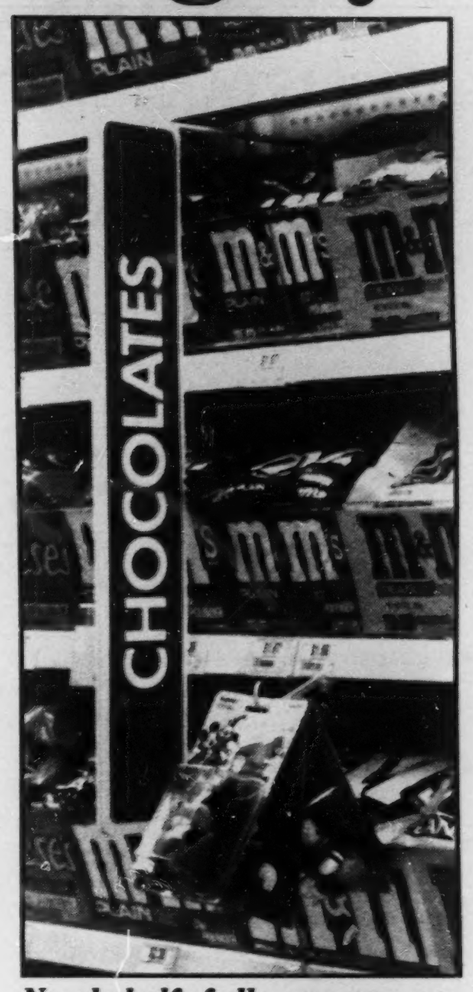
In fact, Wal-Mart managers named Frito-Lay, makers of Frito's brand corn chips and Lays potato chips, the runaway brand leader. Nearly two-thirds (62%) of Wal-Mart managers called Frito-Lay a top performer followed by M&M/Mars (36%). Hershey's and Pepsi were tied for third at Wal-Mart, with each having received three in 10 mentions. Planters was fifth with 26% of the responses. Little Debbie was a close sixth, 22%.

Coke's best showing was at upscale discounters, including Target, where it was fifth in each of the three areas. Coke placed seventh at Kmart and ninth at Wal-Mart.

The list of top performing brands in food, candy and snacks at Target mirrored the overall brands list except for the No. 5 spot. At Target, managers gave equal weight, one in five responses, to Nabsico, Pepsi and Coca-Cola.

Brach's, the No. 5 brand on the overall list, was mentioned as a top performer by managers in the "all conventional discounters" category. Its best positioning on individual top brands lists was seventh, at Wal-Mart. It was tied for ninth at Target with Keebler. Based on manager responses, Brach's placed 11th at Kmart.

At Kmart, M&M/Mars and Planters were named as top performing brands by more than half the surveyed managers, 53% and 52%, respectively. Hershey's was third with 43%, followed by Sather, 37%, and Frito-Lay, 30%.



***Nearly half of all managers** surveyed mentioned M&M/Mars as a top performing brand.* (DSN photo)

Food, Candy, Snacks
Top Brands Performance by Region

Brand	Northeast	South	North Central	West
M&M/Mars	69%	46%	39%	51%
Frito-Lay	31	42	43	23
Planters	55	30	33	44
Hershey's	47	27	28	46
Brach's	11	19	16	22
Nabisco	2	16	17	27
Sather	10	17	17	18
Pepsi	9	22	12	8
Little Debbie	10	12	16	8
Coke	15	15	9	8

Source: Discount Store News/*Leo J. Shapiro & Associates*

Food, Candy, Snacks
How Industry's Top 5 Fare at Chains

Brand	Kmart	Wal-Mart	Target
M&M/Mars	53%	36%	58%
Frito-Lay	30	62	47
Planters	52	26	40
Hershey's	43	30	27
Brach's	5	20	13

Source: Discount Store News/*Leo J. Shapiro & Associates*

Food, Candy, Snacks: Top Brands Vary by Outlet

	All Discounters		Conventional Discounters		Upscale Discounters	
Brand	1991	1990	1991	1990	1991	1990
M&M/Mars	47%	33%	45%	30%	53%	47%
Frito-Lay	38	34	37	35	48	30
Planters	36	27	36	27	41	23
Hershey's	33	29	32	31	29	18
Brach's	18	13	17	14	14	11
Nabisco	17	16	16	16	20	14
Sather	17	3	20	4	1	—
Pepsi	15	5	15	4	16	9
Little Debbie	12	3	13	3	7	4
Coke	12	7	11	6	21	13

Source: Discount Store News/*Leo J. Shapiro & Associates*

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Kmart Is Right on Track With Renewal Plan

New Prototype, Strategy Helps Strengthen Chain

(Continued from page 1)

"I sense some concern from the financial community that we are going to take that $1 billion and leverage it with debt to make a big acquisition. Please believe me. This is not our intention; not at all," said Antonini.

He said the funds will be used to ensure that Kmart's planned store opening program will be completed on schedule and to put Kmart in the position to make timely, favorable and opportune purchases of real estate locations as they become available.

Antonini explained that the recent acquisitions of 17 Price Savers warehouse clubs and 51 Osco Drug Stores cannot be considered large acquisitions. Instead, those deals are examples of Kmart being able to take advantage of unique opportunities to make timely purchases of real estate locations.

"Neither acquisition will dilute our earnings in the first year and both will be cash flow positive in 1991. These are what we refer to as line extension acquisitions," he said.

Antonini said Kmart has no plans for international expansion (excluding Puerto Rico and Canada) although he said the company would evaluate each opportunity.

Later this month, Kmart will open two stores in Puerto Rico, bringing its total on the island to 14 stores.

Antonini reviewed the projects completed under the five-year plan:

- In 1990, 208 stores were refurbished, expanded, relocated or built. Another 450 to 500 projects will be completed in 1991. The last 200 projects will be completed by Nov. 1.
- Through the first half of 1991, and including 1990, 141 smaller stores have been enlarged to the full-size format (88,000 square feet to 104,000 square feet). A total of 620 stores will be enlarged by the end of 1995. Antonini said that sales have increased at an annual rate of 11% at newly enlarged stores.
- In the first 18 months of the modernization program, 61 stores have been relocated with 264 additional relocations planned for a total of about 325 over the six-year period from 1990 through 1995.
- Seventy full-size Kmarts have been opened through the first half of this year (including 1990). A total of 390 new full-size stores are planned, therefore 320 more stores will be open from the present through 1995.

Antonini said the modernization program will increase Kmart square footage (including Canada) by 25%. He expects sales per square foot of mature stores to reach $225 by 1995 and new stores to reach $250 per square foot after their third or fourth year of opening.

In addition to the store modernization program, Antonini cited several reasons why Kmart executives remain optimistic about the future. They include: positive feedback from customers about new stores; stronger support and closer working relationships with suppliers; better cost controls and streamlining of operations; and healthier corporate culture with a "can-do" attitude.

Other critical factors, Antonini said, include: competitive every day low prices; the positive impact of technology; centralized merchandising as well as automatic replenishment.

As an example of new technology designed to provide better customer service, Kmart just announced the test of ShopperTrak, a customer traffic monitoring system, in its Westwood, N.J., store. "Our entire renewal program is based on providing our customers with the service and price they want in attractive stores with efficient, friendly sales associates. This technology will tell us to send additional sales assistance whenever we detect a special need in any area of the store."

Joseph Antonini

Antonini also summarized the status of the five specialty chains:

- Pace, he said, will continue to entice customers with the convenience of its fresh food program which is being rolled out chainwide. In the first half of 1991, Pace sales were up 71%, with comparable store sales up 16%.
- Waldenbooks, said Antonini, had its best first half since joining the corporation. Sales were up 7%; comp stores sales gained 5.5%. Target marketing, through the development of its preferred reader program, should have an "impressive payoff," he said.
- Builders Square, which he said now calls itself a home center store, not a do-it-yourself lumberyard, has refined its merchandise mix to emphasize home decor and home-related consumables in an effort to attract more female customers. Sales through the first half were up 9.2%, with comp store sales up 7%.
- Sports Authority is "on a roll," Antonini said, "succeeding where others have not with its better and broader mix of top name brands, good prices, and megastore dimensions." Through the first half of 1991, sales were up 132%, with comp stores up 17%.
- Pay Less Drug stores, said Antonini, "has been leveraging the special strength of their highly sophisticated distribution system over a broader base of stores, particularly in California." Sales through the first half were up 12.5%, with comp store sales up 4.7%.

Best Previews Look Of the Future

(Continued from page 1)

opened in 1979, is the first of five in the Philadelphia market that will be brought up to the Diamond Showcase prototype this fall.

At the rate of about 15 a year for the next five years, Best plans to remodel 75 more out of a store total now down to 160, following its pullout from Dallas and Houston.

In its last bout of remodeling in 1985-1986, Best remodeled about 50 stores to its Store of Tomorrow prototype. The balance of 30 stores are either too small or too irregular to be considered for the Diamond Showcase look, he said.

The essence of the Diamond look is the jewelry section brought to the front of the store from the right side and split into two triangular areas.

Whether customers turn left, turn right or walk straight ahead when they come into the center entrance, they have to pass jewelry.

And Best hopes that proximity will help it emerge from Chapter 11 bankruptcy faster by boosting jewelry to about 25% of sales from an undisclosed level.

Previously, Best carpeted the jewelry department and lowered the ceiling over it to set it apart psychologically from the rest of the store, Riley said. But the new look eliminates those visual barriers.

"Too many of our customers don't cross-shop departments," Riley said. "We hope the new design will cause more cross shopping, especially into jewelry."

A major goal is to make sure customers get their goods within five minutes of placing orders. To make sure that happens, customers can either place their own orders and check the availability of merchandise computer terminals placed at two locations in the store or place them at a staffed order desk that greets them as they enter. As customers pay for their goods at the checkout counter, their merchandise will be rolling down the conveyor belt from the warehouse above, Riley said, eliminating one of three steps that took time: ordering, paying and receiving.

"We know from a test at Falls Church, Va., that we can do it in five minutes," Riley said. The store features a bank-type master waiting line, so customers can go to the next available cashier.

Another step that would speed checkout, scanning, is taking lesser priority to remodeling, said Ross Richardson, company spokesman. "It's a question of finances," he said. "Scanning requires a huge investment, and other things have priority."

Best also is committed to better in-stock positions, Riley said, by increasing inventories and making sure promotional staffs coordinate better with buyers.

Slick graphics in the Best Department store tradition are the hallmark of the store design from Miller-Zell, Atlanta. Those graphics will go into all stores now, Riley said without waiting for a complete remodel.

Another physical change in the store layout is to open it up by tearing out a wall that formerly set apart the toys, sporting goods and juvenile section in a separate room to the right of jewelry.

Those items now are located in a self-service section to the rear of the store. That section features tile floors and an open ceiling to give a warehouse look to the self-service categories, Riley said.

Actually, the store carries the exact same merchandise and just looks bigger than its 60,000 square feet, he said, because it is more open.

For the first time, home office gets more floor space in its own department separate from home furnishings.

Riley declined to disclose how much remodels cost but did say it's less than half the cost of 1985-1986 remodels because no construction is required, just new graphics and fixtures.

"Obviously, we hope for increased overall sales," Riley said. The return on investment "will be fairly rapid" but take at least a year, he said.

Remodeling took about six weeks, and the stores remained open during renovation so the impact on sales was minimal, Riley said.

The remodeled store involves no technological innovations, Richardson said, just a better presentation.

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Vol. 30, No. 19 October 7, 1991

Kmart First To Test ShopperTrak System

(Continued from page 6)

$600 on a single unit basis.

The primary sensor transmits information via a modem to the store's POS system.

Kmart envisions tying ShopperTrak into its KIN (Kmart Information Network) II system to achieve a number of objectives. These include:

- Proactively knowing the number of shoppers in a store and in each department to provide better customer service by sending more clerks to busier areas and having more checkout lines opened before long lines develop.
- Relating traffic in individual departments to actual sales to determine how many customers actually make purchases. The information can be used to determine the number of browsers and the effectiveness of various programs designed to convert them to customers.
- Analyzing traffic patterns to develop better store layouts.
- Relating traffic to TV, print and in-store promotional programs to measure the effectiveness of different ads.
- Gauging the impact of merchandising programs on drawing in traffic and increasing sales.
- Determining how long customers visit and the effects of better customer service and other efforts to increase the time spent in the store.

ShopperTrak can track traffic for any time period that a retailer wants. It's expected that half-hour trackings will be used because chains also break out sales on a 30-minute basis.

Besides tracking traffic, Datatec is developing technology to track weather and integrate the information with ShopperTrak. This will enable a retailer to know specifically how weather impacts traffic and sales.

C5150-3

Top Brands Consumer Survey-page 21

Discount Store News®

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***Price Co. chief executive Robert Price** rallies employees at opening of Wayne, N.J. club, the first of seven opening this fall.* (DSN photo)

Price Opens in N.J.; 1st of 7 Fall Openings

By Tony Lisanti

WAYNE, N.J. — Without the fanfare and hoopla of its key competitor Sam's Club, Price Club quietly opened the first of seven clubs planned for this fall Sept. 28 in this major suburban shopping mecca. This comes on the heels of fourth quarter and fiscal 1991 results which showed significant revenue gains, but due to the accelerated expansion, operating margins declined.

The San Diego-based company became only the second warehouse club chain to open in the lucrative northern New Jersey market, joining B.J.'s which operates in East Rutherford about 10 miles away. Both Sam's Club and Pace also have plans to enter northern New Jersey in 1992 with clubs in Paramus, which is about 15 miles from Wayne.

In a simple grand opening

(Continued on page 46)

The Incredible Shrinking Ames: 371 Units Remain

77 Store Closings to Benefit Kmart, Wal-Mart, Hills

By Pete Hisey

ROCKY HILL, Conn. — Ames' decision to close 77 more money-losing stores after Christmas, which was announced earlier this month, will mean the company will shrink to less than 400 stores, and virtually exit the Midwest, where 48 of the closings will take place.

Ames will close all 12 Indiana stores, all 22 Ohio stores and four of 13 Michigan stores.

The company maintains that it will benefit in immediately increased profitability. Chairman Stephen Pistner noted, "The closings will reduce our losses and improve operating cash flow."

However, the real gainers, according to an analysis of the markets Ames is abandoning, are Kmart, Wal-Mart, Hills, Quality Farm & Fleet, Harts, Click Stores, Fishers Big Wheel, and to a lesser extent, Value City, Meijer, Conley's, Target and Lancaster Sales. Each chain competes in at least one county or MSA market with a closing Ames.

The impact will probably be felt the greatest by Kmart, which currently has 60 stores competing against the closing Ames locations, of which 30 are direct, in-town competitors.

Wal-Mart has 17 stores in competition, 12 of which are direct competitors; Hills has 20 stores, 10 which are direct competitors; Fishers has 17, with three directly competitive; Quality has 13, of which nine compete directly; Click has 11, with five direct competitors; Value City has seven, with three direct competitors; and Harts has six, also with three direct competitors.

Ames has also reduced its presence in Connecticut (two stores closed), Delaware (three stores closed), Kentucky (one), Maryland (four), Massachusetts (six), New Hampshire (two), New York (five), Pennsylvania (one), Virginia (nine) and West Virginia (six). Only in Virginia and West Virginia, however, do the closings significantly affect the chain's overall presence; roughly one-third of Ames' stores in each state will close.

The closings hardly come as a surprise. Many observers expect Ames to ultimately resemble the Ames of the early 1980s, before it acquired the G.C. Murphy and Zayre chains, becoming

(Continued on page 46)

Wal-Mart Buys Skill In Supermarket Biz

Acquisition Fuels SuperCenter Thrust

By Arthur Markowitz

BENTONVILLE, Ark. — Wal-Mart has taken a major step to firm up the development of the Wal-Mart SuperCenter operation as a key growth vehicle by acquiring Phillips Cos., a 20-store food retailer.

Wal-Mart SuperCenters are combined discount stores and supermarkets. The Phillips acquisition denotes Wal-Mart's growing commitment to food retailing and follows its purchase of the McLane Co., one of the nation's largest food and general merchandise wholesaler/distributors (see *DSN*, Oct. 15, 1990, page 3).

Privately held Phillips, headquartered in Bentonville, has stores in 15 Arkansas communities, 14 of which also have Wal-Marts, and many of them are in the same strip centers.

The Wal-Mart SuperCenter operation is one element in Wal-Mart's diversification from its traditional discount store business to meet the

(Continued on page 46)

POWER BRANDS

Key Brands Achieve 'Power' Status, According to Exclusive DSN Survey

NEW YORK — Thirty-four brands have been identified as "Power Brands" for 1991, based on exclusive research conducted by Leo J. Shapiro & Associates for *Discount Store News*.

The Power Brands Index measures brand strength and performance within 18 merchandise categories, based on two independent studies conducted among retailers and consumers. The Top Brands Part I study, which appeared in the Oct. 7 issue of *DSN*, surveyed 300 discount store managers who were asked to identify "top performing brands" by merchandise category. Retailers named a total of 1,222 brands. The second part of the study, which appears in this issue, surveyed 902 consumers who were asked to identify "preferred" brands when shopping at a discount store. Consumers named a total of 974 brands.

In order to be considered a Power Brand, a brand had to achieve an index of 110 or higher in both the retailer and consumer study. An index of 100 represents the average acceptance among the Top 10 consumer and retailer brands.

The No. 1 Power Brand is Cannon with a PBI of 594, followed by Kodak (PBI 548) and Stanley (PBI 380). The table on page 21 ranks all 34 Power Brands by their PBI.

(Continued on page 23)

10 Leading Power Brands Of Discount Retailing

Brand	PBI*
Cannon	594
Kodak	548
Stanley	380
Corning	379
Mead	362
Black & Decker	338
Maybelline	303
Rubbermaid	302
Tide	282
Mattel	278

*PBI = Power Brand Index
Source: DSN/Leo J. Shapiro & Associates

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MARKETWATCH

Bradlees Parent Going Public

BRAINTREE, Mass. — Stop & Shop Co., parent of Bradlees discount stores, has filed a registration statement with the SEC for an initial public offering of 17 million shares of common stock. Kohlberg, Kravis, Roberts & Co., which led a leveraged buyout of the company in 1988, will retain 59% of Stop & Shop shares. Proceeds from the new offering, with shares expected to run from $14 and $16 a share, will be used to retire debt. The firm operates 117 Stop & Shop Supermarkets and 130 Bradlees Discount Department Stores. Consolidated retail sales for the first two quarters, ended Aug. 17, were $1.1 billion, up 3.1% compared to a year ago. Bradlees operating profits for the first half were $14.9 million compared to $4.3 million a year earlier.

Summer CES Really Going 'Public'

CHICAGO — Exhibitors at the Summer Consumer Electronics Show this May won't have empty aisles to kick around anymore, as up to 100,000 actual consumers will invade the show over its final day and a half. The show, to be held Thursday, May 28 to Sunday, May 31, at the McCormick Center facility will allow consumers to walk the show on Saturday afternoon and all day Sunday. Exhibitors and attendees will also find this show to be a bit kinder to the pocketbook; most area hotels have agreed to lower room prices by an average of 20% or more. And, additional concessions from unions will lower the cost of exhibiting by some $300,000 spread over approximately 1,000 exhibitors.

Windy City No Breeze for Waban

NATICK, Mass. — Waban will close the four BJ's Wholesale Clubs in Chicago by year-end because of their "disappointing performance," and convert three units into HomeClub warehouse home centers, Waban president John F. Levy said. Waban set aside a $5.5 million reserve to cover closing costs. The announcement came as Waban filed a registration statement with the SEC to sell 4 million shares of stock that would raise about $80 million.

Filene's Basement Likes Chicago Better

WELLESLEY, Mass. — Filene's Basement opened its first stores in the Chicago market this month. The two units, one in the suburb of Gurnee and one a flagship store in downtown Chicago, are part of a proposed 10 units slated for the area. A third store in Schaumburg, Ill., will open next month. The expansion to the Midwest is the first phase in its plan to double the number of stores over the next three years. Filene's Basement, which went public earlier this year, has 36 stores primarily in the Northeast.

Woolworth Solidifies Stance in Big Apple

NEW YORK — Woolworth reached a definitive agreement with Plymouth Lamston Stores Corp. for the acquisition of 25 Lamston stores. As previously reported (*DSN*, Sept. 23, page 1), 20 of the roughly 7,000-square-foot units are in Manhattan, with the rest in nearby boroughs. The acquisition brings the total number of Woolworth and Woolworth Express stores in the Greater New York area to 108.

Disabilities Act Subject of IMRA Confab

WASHINGTON — Retailers concerned about their responsibilities under the new Americans with Disabilities Act should attend the Store Planning and Design Conference sponsored by the International Mass Retail Association, Nov. 20 to 22, at the Intercontinental Hotel, Miami. The act, which will be the subject of a workshop and seminars, will begin to take effect, in gradual stages, Jan. 26, 1992.

Sprouse-Reitz Appoints New Management

PORTLAND, Ore. — Sprouse-Reitz Stores, the 193-unit variety store chain, named Timothy P. Foster, a former executive with Montgomery Ward, Target and Fred Meyer, as vp, administration and systems. Other recent management changes include the appointment of Donald Tripp, president and ceo; Don Bock, corporate special projects director; Michael Mulholland, executive vp; and Lee Dambis, vp, real estate. The management changes and other restructuring efforts were approved by the chain's principal bank, which recently renewed its line of credit through the fourth quarter. Sprouse is searching for alternative sources of financing in 1992 because the bank does not plan to renew the line into 1992. The restructuring calls for a return to profitability during the fourth quarter of fiscal '91, and the closing of 75 units.

Venture to Unveil New Look

Discounter Opening 4 Stores in New Markets

By Mary Ellen Kelly

O'FALLON, Mo. — Venture Stores will unveil a new prototype format next month, revealing management's untethered view of what the former May Department Store division's retail identity should be.

While four stores were opened in the 1990 fiscal year—the chain's first year separate from the influence of May—the units are expected to set a new retailing tone.

The four concurrent store openings will be designed in the firm's prototype. While details about all of the stores were not available at press time, the stores will open as follows: one in Tulsa, Oklahoma; one in Waterloo, Iowa; and two in the Des Moines, Iowa, market area. The grand opening is scheduled to take place Nov. 11.

The Tulsa store, at 96,000-square-feet, is somewhat smaller than the chain's 100,000-square-foot average; the size of the other three stores is believed to be in the 90,000-square-foot to 100,000-square-foot range. Each of the new stores will include a slight modification of the zebra-like stripes that characterize the Venture logo, according to a source close to the chain.

Each of the store openings represents a new market for Venture, although the 80-unit chain does have four stores in Oklahoma and two in Iowa already. Tulsa is Venture's first Oklahoma store outside its four store Oklahoma City hub.

The firm announced plans to open eight stores during the 1992 fiscal year and another eight in 1993, including an attack of several new states.

Venture's spin-off from May Co. was completed Nov. 3, 1990. For the fiscal year ended Feb. 2, 1991, Venture reported net profits of $34.5 million, up 9% from net earnings of $31.7 million during fiscal 1989. Sales rose 6% to $1.4 billion from $1.3 billion the previous year.

Stuarts' Reorganization Looms

FRANKLIN, Mass. — Stuarts Department Stores expects to present a plan of reorganization to its creditors by mid-November. The Northeast chain has been operating under Chapter 11 since December 1991.

Remodeling, a frequent shopper program and new coupon ads are being used by Stuarts to help build customer loyalty

As the fine points of the plan are ironed out, Stuarts is continuing to revamp its operations and in October completed remodeling two Rhode Island stores, bringing to six the total of redesigned units. President Joseph Ettore said he expects 15 of Stuarts' 20 units will be remodeled by March of 1992.

Stuarts began the remodeling effort earlier this year. It coincided with new emphasis on promotions and a greater commitment to the local communities where it operates.

The financial results of the changes are not entirely clear. Stuarts runs stores in one of the economically hardest hit areas of the country.

According to Ettore, September sales were poor, but he expects the company will break even for the month. He saw signs of improvement in early October with a successful radio promotion. "We're doing so many things, I'd hate to see what business was like if we weren't doing as much," he said.

Overall, second quarter financial results show marginal improvement for Stuarts.

For the second quarter, ended Aug. 3, the company recorded a net profit of $371,000, compared to a net loss of $167,000 for the same period last year.

For the 26 weeks ended Aug. 3, the net loss was $253,000. For the same period last year, the net loss was $300,000.

Total sales for the first half of the year totaled $51.5 million, compared to $71.1 million in the first half of 1990. The decrease reflected the closing of three stores in January.

The company's cost of sales in the first half decreased to 70.6% compared to 72% for the same period last year.

The results were below company expectations, although a company statement insisted that Stuarts "is on target in achieving our profit projections for the year."

Ettore said that remodeled stores were on or above their projections. The biggest boost to these units has been the placement of children's wear—one of Stuarts' strongest categories—to the front of the store. The jewelry section previously up front was moved to the Sights and Sounds area, where one person is responsible for both departments.

This customer-friendly remodeling, or "resetting" as Ettore refers to it, is part of an overall effort by Stuarts to build community loyalty among the markets it serves.

Among other things, a Frequent Shopper program where credit toward another purchase was awarded to buyers spending a certain amount, was just completed and is under consideration as a Christmas promotion.

Another enticement has been a couponing program that will continue, according to Ettore. "Coupons are a way to get shoppers in the store the fourth and fifth day after an ad," he said.

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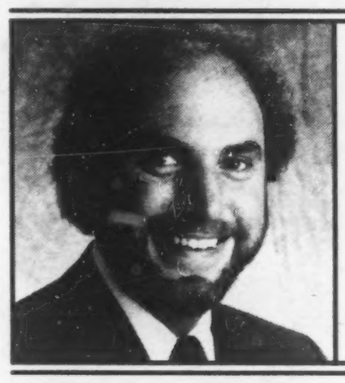
EDITORIAL

PBI Measures Real Brand Strength

The measurement of the success of a brand has always been simply—consumer awareness. Marketers believe that the more people that know about their particular brand, the greater success that brand will achieve. However, that's only half of the equation. And oftentimes marketers and retailers ignore the other half, and possibly rely too heavily on consumer awareness. The attitude is "stack it on the shelves, and they will buy."

As popular as a brand can be among consumers, it must be strong among the companies and people that sell it. The process of getting a product on the shelf is more complex than ever and every aspect from billing to shipping must be negotiated and executed before a consumer even has the chance to make a buying decision.



TONY LISANTI
Editor

Therefore, the best measurement of brand success is a combination of retailer and consumer recognition. And based on this theory, *Discount Store News* has developed the exclusive Power Brands Index (PBI)..

"It is this balanced superiority that makes a particular brand a 'Power Brand,' " commented George Rosenbaum, president of Leo J. Shapiro & Associates, the Chicago-based research firm that conducted the brand surveys. A total of 34 brands achieved "Power Brand" status. (See page 21).

Several brands—such as Levi's, Nintendo, Suave, Clairol, OshKosh, Fram and Papermate—achieved a high preference among discount store consumers, but did not achieve a comparable position among retailers. Obviously, these brands are strong and successful, but one must examine the reasons why they didn't achieve a strong recognition among retailers. Albeit some of these brands don't have direct distribution to discount retailers, but maybe it's time for some companies to realize this huge market with unlimited potential.

Regardless, the long-term viability of a brand in a competitive marketplace in which retailer-vendor partnerships are essential can no longer be measured solely on consumer awareness, but must also be measured on retailer recognition. This equation will be the true measurement of success for retailers and vendors in the 1990s.

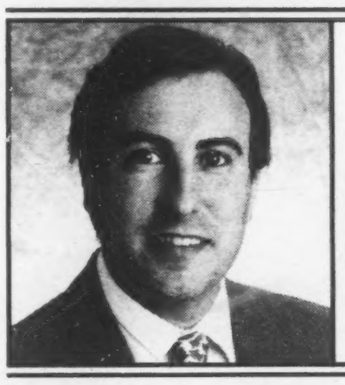
BUYERS & SELLERS

Coup Doesn't Quash Interest in Soviet Ties

DSN has received enormous feedback from the highly successful Russian Round Table it sponsored this summer. *DSN* has been flooded with inquiries from suppliers and wholesalers eager to do business in the Soviet Union.

Amazingly, the interest has not slackened a bit since the unsuccessful coup attempt.

Prior to the Aug. 19 coup, "the economic situation in the Soviet Union was really difficult," said Dr. Igor Pogosov, first deputy chairman of the State Committee of the USSR for Statistics, in a recent interview with *Financial & Business News from the USSR*. "Crisis was evident: decline in production, monetary system in ruins, depreciated ruble, runaway inflation and inter-republican economic ties in disarray with many republics seeking full independence."



DON LONGO
Exec Editor

Added Dr. Jury Yaremenko, the USSR president's economic advisor, "the very existence of the powerful military and industrial complex, the mighty Armed Forces and the KGB left no room for normal economic life. Resource drain was characteristic of the Soviet economy."

Despite sowing the seeds of further unrest, the failed coup appears to have opened the door even wider for U.S.-Soviet business opportunities. Hasbro, which opened a sales office in Budapest, Hungary, now has an agent in Russia looking into the possibility of getting a partner for the toy manufacturer, which would join GTE, Reynolds Aluminum, *Reader's Digest*, Colgate-Palmolive, Estee Lauder, Johnson & Johnson, PepsiCo, Phillip Morris, Tambrands and other U.S. firms that have business dealings with the Soviet Union.

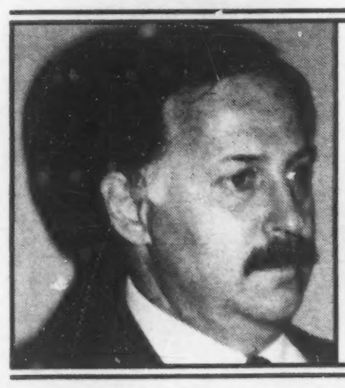
And, the Soviets appear to view the failed coup as a sign that real, lasting change is taking place. Pogosov predicts further economic decline in the months ahead, but asserts that the decline can be checked if "the old economic and political system is liquidated and the market mechanism is created."

The main problem of the U.S. businessmen is in taking that first step in finding a Soviet partner. Toward that end, *DSN* is gathering information to help you make that key contact.

IMRA PRESIDENT'S CORNER

House Passes Badly Flawed Price-Fixing Bill

In a vote on an issue that goes to the heart of mass retailing, the U.S. House of Representatives Oct. 10 approved a resale price-fixing bill—but in a seriously flawed form. The House passed H.R. 1470, the "Price-Fixing Prevention Act of 1991," but with an amendment that would harm, rather than advance, competition and the well-being of consumers and the economy. The House wisely rejected one amendment which would have opened up numerous loopholes. However, it failed to block another amendment that, in the unlikely event it were ever to become law, would undermine long-standing safeguards for competition.



ROBERT VERDISCO

Pressured by a powerful group of opponents (including some Administration officials, many large business groups, individual manufacturers, some higher-priced distributors and highly effective small business organizations), the House added to H.R. 1470 an amendment, offered by Rep. Tom Campbell (R-Calif.), that masqueraded as a "small business" defense to shelter small businesses from becoming embroiled in resale price-fixing disputes. In reality, the Campbell amendment would give immunity to any price-fixer that lacked "market power"—a term undefined in the amendment, but which courts and the Justice Department guidelines have interpreted as meaning a market share of 30%, 40%, 50%, or even higher.

Few companies approach that massive market share, so nearly all would be insulated against challenge. Unfortunately, the House—and arguably some of the amendment's backers—found the subject too incomprehensible or controversial to look beyond the misleading "small business" label. In contrast, the Senate, earlier this year, for the first time passed a vastly different bill.

With the House passing a diametrically opposed bill, the stage is set for a House-Senate conference to see if the huge differences between the two bills can be ironed out. If so, the conference report would be sent back to be approved by the House and Senate, and forwarded to the President's desk.

IMRA members have long communicated to Congress the not easily explained or understood obstacles that ill-considered Supreme Court rulings have placed in the way of enforcing the clear law against resale price-fixing. Despite the setback, IMRA will continue serving the specific interests of mass retailers in protecting their business rights and the interests of the consumers we serve.

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TOP BRANDS

Part II: Consumer Survey

Consumer Brand Preference Slackens

By Don Longo

Perhaps it's a reaction against the status-conscious, brand-driven mentality of the 1980s. Or, maybe it's a reflection on a growing lack of brand loyality. For that matter, maybe consumers feel there really isn't that much difference between the major brand names in most product categories sold by a discount department store.

Whatever the reason, *DSN*'s 1991 Top Brands Consumer Survey shows that Americans are expressing a lower degree of brand name preference in many departments. Compared to last year, fewer consumers were able to name a preferred brand in 13 of 18 major product categories covered by the survey. The drop-off in brand preference was most noticeable in domestics, where only 34% of respondents named a preferred brand vs. 57% who did so last year, and women's apparel, where 43% named a preferred brand vs. 63% last year.

The stationery department also registered a major drop-off in brand preference: only 46% could name a brand they wanted to buy vs. 62% a year ago. A double-digit percentage point decline in brand preference was also recorded in sporting goods.

Historically, brand preference was at its lowest level since 1988, when the consumer portion of the Top Brands Survey was inaugurated. In 1988, an average of 71% of consumers had a brand preference. The percentage peaked in 1989 at 75%; dropped a bit to 72% in 1990, and fell to 66% this year.

Only five product categories saw an increase in brand preference. Greeting cards experienced the biggest jump, climbing 11 points to 62%. Cosmetics, traditionally a category in which women have exhibited a high degree of brand preference, was up 7 percentage points as 89% of fe-

(Continued on page 23)

Consumer Snapshot I

Departments Where Consumers Have a High Degree of Brand Preference
(% of discount store shoppers with a brand preference)

Photo & Camera	**94%**
H'hold Cleaners	**92%**
Cosmetics	**89%**
H&BC	**85%**
Candy & Snacks	**79%**

Source: DSN/Leo J. Shapiro & Associates

POWER BRANDS

34 Products Named 'Power Brands,' According to Exclusive DSN Study

(Continued from page 1)

"The Power Brands have achieved the combination of high recognition by the discount store retailer and high acceptance by the consumer," explained George Rosenbaum, president of Leo J. Shapiro and Associates. "It is this balanced superiority that makes each brand a Power Brand."

To illustrate how the PBI is computed, consider Cannon as an example. Among the Top 10 brands identified by retailers in the domestics category, the average percent of retailers that mentioned a Top 10 brand was 14.3%. Cannon was mentioned by 66% of the respondents, or nearly five times the average for an index of 465. Among the Top 10 most preferred consumer brands, the mean preference was 10.1%. Cannon was mentioned by 73.5% of consumers surveyed, or more than seven times the average for an index of 724.

Both the retailer index of 465 and the consumer index of 724 were then averaged giving Cannon an overall Power Brand Index, or PBI, of 594.

There are several strong brands which achieved top rankings with the retailer or the consumer but not with both audiences and therefore did not make the Power Brands list, Rosenbaum explained.

For example, he pointed out that American Greetings enjoys a strong identity with the retailer, but is relatively weak with the consumer. In contrast, Hallmark achieved strong consumer preference, but retains only a nominal position with the discount store retailer.

Power Brands of Discount Store Retailing

	Index*		Index*
Cannon	594	**Hanes[2]**	195
Kodak	548	**Wilson**	189
Stanley	380	**Fruit of the Loom**	180
Corning/Corelle/Visions	379	**M&M/Mars**	177
Mead	362	**Pennzoil**	171
Black & Decker[1]	338	**Revlon**	165
Maybelline	303	**Norelco**	158
Rubbermaid	302	**Quaker State**	157
Tide	282	**Spalding**	151
Mattel	278	**Vidal Sasson**	146
Conair	258	**O'Sullivan**	142
Bic	253	**Clorox**	141
Cover Girl	249	**Zebco**	138
Crest	227	**Colgate**	129
Fisher-Price	217	**Hershey's**	126
Sony	217	**Chic**	121
Gitano	195	**Panasonic**	121

**Index: 100 equals the average acceptance among the Top 10 brands by retailers and consumers.*
[1]Black & Decker achieved power brand status in both houseswares and hardware.
[2]Hanes is a power brand in both men's and women's apparel.

Source: DSN/Leo J. Shapiro and Associates, Inc.

Top Consumer Brands

Automotives *35*
Quaker State
Pennzoil
Fram

Children's Apparel *26*
Levi's
Hanes
OshKosh

Consumer Electrics *29*
Sony
Nintendo
Panasonic

Cosmetics *26*
Maybelline
Cover Girl
Revlon

Domestics *33*
Cannon
Pepperell/Lady
Pepperell/Westpoint

Food, Candy, Snacks . . . *41*
Snickers
Hershey
M&M/Mars

Greeting Cards *40*
Hallmark
American Greetings
Sangamon

Hardware *38*
Stanley
Black & Decker
GE

Health & Beauty Care . . *41*
Crest
Suave
Colgate

Household Cleaners *29*
Tide
Comet
Clorox

Housewares *30*
Rubbermaid
GE
Black & Decker

Ladies' Apparel *24*
Hanes
Levi's
Gitano

Men's Apparel *24*
Levi's
Hanes
Fruit of the Loom

Personal Care *30*
Conair
Norelco
Clairol

Photo, Camera *33*
Kodak
Polaroid
Fuji

Sporting Goods *35*
Wilson
Spalding
Zebco

Stationery *40*
Bic
Mead
Papermate

Toys *38*
Mattel
Fisher-Price
Teenage Mutant Ninja Turtles

Discount store shoppers nationwide named their preferred brands in 18 merchandise categories, in a poll conducted for Discount Store News *by Leo J. Shapiro & Associates.*

TOP BRANDS: PART II

Consumer Brand Preference Slackens

(Continued from page 21)
male respondents named a brand they wanted most in the department.

The other departments that registered increases in brand preference were toys (68%), health & beauty care (85%, fourth highest overall), and household cleaners and chemicals (92%, second highest overall).

Consumers showed the highest degree of brand preference in photo & camera, where 94% named a specific brand, a one point decline from a year ago.

The 1991 Consumer Top Brands Survey, conducted in August for *DSN* by Leo J. Shapiro & Associates, a Chicago-based market research firm, also revealed that discount stores, overall, are doing an excellent job of supplying their shoppers with the brands they want.

Consumers were asked to rate the likelihood of finding their preferred brands in a discount store on a scale of 1 to 9 (1 = "not likely to find," 9 = "sure to find"). The 1991 survey found a significant increase in the average rating of confidence that consumers had in finding the brands they want: 7.43 on the scale compared to 7.31 in 1990.

In fact, consumers are almost completely confident of finding the brands they want in a discounter's health & beauty care department, which recorded a rating of 8.29 on a scale of 1-to-9. They are also extremely confident of being satisfied in stationery, photo & camera, cosmetics, candy & snacks, household cleaners and personal care appliances.

Discounters have work to do in the following departments, where consumers expressed a distinct lack of confidence in finding their preferred brands: hardware, consumer electronics, women's apparel, sporting goods, men's apparel and children's wear.

Consumers' preference for private label goods declined even more dramatically than their interest in name brands. The percentage of discount store shoppers expressing a preference for private label was down in every category surveyed except two: automotives (where it was the same as last year) and hardware (an increase of 2 percentage points).

However, two new product categories added to this year's survey, but not included in the overall results because of the lack of year-to-year data for comparisons, exhibited high degrees of preference for private label. Thirty-six percent of shoppers expressed a preference for private label ready-to-assemble furniture—the highest percentage in the survey—while 31% sought private label in hard window treatments.

A key feature of *DSN*'s Consumer Top Brands Survey is its analysis of what happens when a store doesn't have the shopper's preferred brand in stock. Will she buy another brand instead? Or, will she skip making the purchase entirely?

The study found that in certain categories, consumers will likely purchase a substitute brand if their preferred brand is not available. These categories include: stationery, children's apparel, greeting cards, domestics, candy & snacks, and glasses & dishware.

However, in many departments, the discounter runs a great risk of losing the sale, and perhaps alienating the customer from other purchases. Departments where the shopper is more likely to skip the purchase entirely include: cosmetics, men's apparel, sporting goods, women's apparel, automotives, photo & camera, consumer electronics and hard window treatments.

Consumers Across America: Who's Shopping, And Where

NEW YORK — *DSN*'s exclusive 1991 Top Brands Survey of Consumers is based upon telephone interviews conducted in August with 902 individuals across the country.

Consumers were asked to name the brands they would buy in each of 23 product categories sold by a discount store. Detailed year-to-year comparisons are available on 18 of the product categories, as well as comparisons with *DSN*'s 1991 Top Brands Retailer Survey, a research report also conducted in August among discount store managers who were asked to name their best performing brands in each product category.

Both studies were conducted by Leo J. Shapiro & Associates, a Chicago-based research firm. The consumer study, as it appears exclusively in *DSN*, is unique in that it represents the brand preferences of discount store shoppers. Results are limited to those consumers who shopped at discount stores at least three times in the past year.

Consumer Snapshot 2

Departments Where Consumers Have a Low Degree of Brand Preference
(% of discount store shoppers with a brand preference)

RTA Furniture	21%
Window T'ments	23%
Domestics	34%
Women's Apparel	43%
Children's Apparel	44%

Source: DSN/Leo J. Shapiro & Associates

Consumer Snapshot 3

Departments Where Consumers Don't Feel Confident of Finding the Brands They Want
(Mean rating on scale of 1-9, 1 = 'not likely to find'; 9 = 'sure to find')

Hardware	6.65
CE	6.68
Women's Apparel	6.74
Sporting Goods	6.91
Men's Apparel	7.00

Source: DSN/Leo J. Shapiro & Associates

Consumer Snapshot 4

Departments Where Consumers Feel Confident of Finding the Brands They Want
(Mean rating on scale of 1-9, 1 = 'not likely to find'; 9 = 'sure to find')

H&BC	8.29
Stationery	7.29
Photo	7.81
Cosmetics	7.79
Candy & Snacks	7.78

Source: DSN/Leo J. Shapiro & Associates

Consumer Snapshot 5

Departments Where Consumers Express High Preference for Private Label
(% of shoppers expressing a preference for private label)

RTA Furniture	36%
Hardware	34%
Window T'ments	31%
Children's Apparel	20%
Automotives	17%

Source: DSN/Leo J. Shapiro & Associates

Consumer Snapshot 6

Departments Where Consumers Express Low Preference for Private Label
(% of shoppers expressing a preference for private label)

Cosmetics	1%
CE	1%
Toys	1%
Greeting Cards	2%
Sporting Goods	3%

Source: DSN/Leo J. Shapiro & Associates

Consumer Snapshot 7

Departments Where Consumers Would Buy Another Brand If Their Preferred Brand Is Not Available
(% of discount store shoppers willing to switch brands)

Stationery	72%
Children's Apparel	63%
Greeting Cards	62%
Candy & Snacks	56%
Domestics	54%

Source: DSN/Leo J. Shapiro & Associates

Consumer Snapshot 8

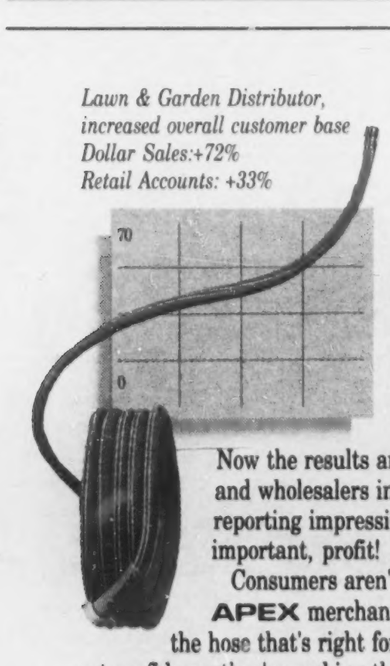
Departments Where Consumers Would Skip Making a Purchase If Their Preferred Brand Is Not Available
(% of discount store shoppers who would skip purchase if preferred brand was unavailable)

Cosmetics	66%
Men's Apparel	63%
Sporting Goods	61%
Women's Apparel	61%
Automotives	60%
Photo	60%

Source: DSN/Leo J. Shapiro & Associates

Figures Don't Lie

Lawn & Garden Distributor, increased overall customer base
Dollar Sales:+72%
Retail Accounts: +33%



TEKNOR APEX revolutionized the way garden hose was sold with its new **APEX** merchandising system last year. Recognized by industry experts, the system was awarded first place in the Merchandise Display Category at the 1990 Show.

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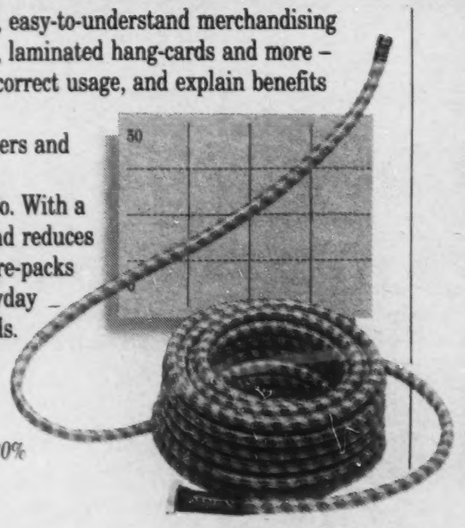
We make it easy for retailers, too. With a system that simplifies ordering and reduces inventories. With 8', 12' and 16' pre-packs balanced to meet a retailer's everyday and promotional garden hose needs. Backed with customized,

Retailer, increased unit sales
Dollar Sales: +56% Unit Sales: +30%



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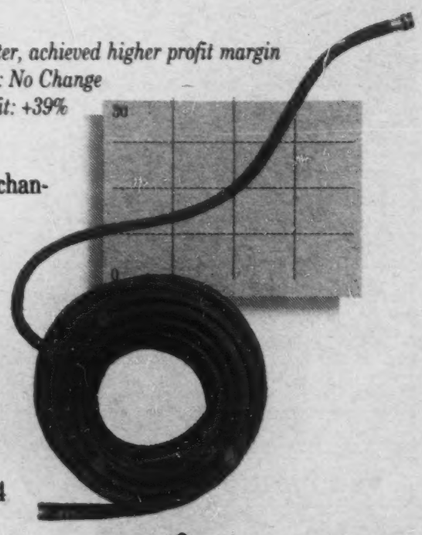

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TOP BRANDS: PART II

APPAREL

Managers Stay In Tune With Apparel Shoppers

Discount store managers seem most in tune with their female shoppers, according to the latest Top Brands Consumer Survey. Though not named in the same order, virtually all of the brands mentioned as top performers by managers, were also mentioned as favorites by consumers.

For the second year in a row, Hanes, Levi's and Gitano led the consumer's list.

At the Top 3 retailers, Hanes was named most often by shoppers at Kmart and Target, while Levi's got the most mentions at Wal-Mart.

Wal-Mart shoppers seemed the most brand-conscious. Wal-Mart shoppers defined a greater number of brands as preferred than shoppers at the other retailers. Overall, 32% of those questioned said they were confident that they would be able to find the brands they want at the discount store they shopped most.

However, the news was not all good. The fact that there is difficulty in the women's market came out loud and clear in this consumer study. There was a large 20 percentage point drop in the number of women that expressed any preference in brands. More than half of those questioned said they had no brand preference.

In past years, a drop in brand preference meant a rise in the preference for private label goods. But not this year. The same 20 percentage point drop occurred among those expressing a preference for a private label. A mere 15% of women asked said they had a preference for a private label, compared to 35% a year ago. In the apparel categories, children's wear shoppers were most accepting of private labels.

This information confirms the evidence of a tough climate for women's wear apparel. Industry observers are blaming a lack of a fashion direction for the blight as much as they are blaming an ongoing recession.

Of those respondents that did name a preferred brand, the women's area was the one apparel category where managers and consumers agreed most often on brand names.

The only newcomers to the consumer list were Wrangler and Playtex. They replaced Bobbie Brooks and Calvin Klein as favored brands.

Although Wal-Mart's own Bobbie Brooks line did not make the Top 10, another private label brand did inch its way up in the current listing.

Kmart's Jaclyn Smith label was mentioned by 6% of shoppers, compared to 4% of shoppers that named it last year. That placed it right behind Lee on the chart. Part of Jaclyn Smith's success may be due to its expanding markets. Earlier this year, petites were added to the line.

When asked what they would do if they could not find the brand they wanted, 39% said they would switch brands. This was down from 47% that said they would switch in the 1990 survey.

More in line with the economic climate in women's apparel, 61% of respondents said they would skip the purchase if they did not find their preferred brand. Some may read this as showing great brand loyalty in this market, but unfortunately, it may simply mean women are spending less money.

Consumer Brand Preferences In Ladies' Apparel

Top Brands	Discount Shoppers	Kmart	Wal-Mart	Target
Hanes	14%	13%	14%	19%
Levi's	12	11	14	6
Gitano	11	9	11	10
Chic	9	9	12	3
Fruit of the Loom	8	9	8	9
Lee	6	5	7	7
Jaclyn Smith	6	7	6	5
L'eggs	5	7	5	8
Wrangler	3	2	5	4
Playtex	3	3	—	4

Source: DSN/Leo J. Shapiro & Associates

Top Ladies' Apparel Brands Store Managers vs. Shoppers

Managers	Consumers
Gitano	Hanes
Hanes	Levi's
Lee	Gitano
Chic	Chic
Fruit of the Loom	Fruit of the Loom
Jaclyn Smith	Lee
Playtex	Jaclyn Smith
Levi's	L'eggs
Bobbie Brooks	Wrangler
Wrangler	Playtex

Top 10 rankings in each category are based on discount store managers' response to the question: 'What are your best performing brands in (department)?' and discount store consumers' response to the question: 'If you were shopping for (product) in discount department stores, which brand of that product would you want?'

Source: DSN/Leo J. Shapiro & Associates

Top Three Brands Show Their Muscle in Men's Wear

The men's category in *DSN*'s 1991 Top Brands Consumer Survey succeeded in giving Hanes and Levi's a sweep in the apparel categories. The two brands were, according to shoppers, the favored brands in every apparel area.

They also got the most mentions of any brands in the apparel categories.

Just over 30% of all shoppers mentioned Levi's in the men's area; while 23% of the total mentions in men's wear went to Hanes.

Wrangler and Fruit of the Loom made strides in men's as well, and were the two additional brands that were mentioned in every apparel category. These have muscle in both the consumers' and managers' charts.

Consumers did mention a number of brands that managers did not place as highly. Specifically, Arrow, Van Heusen, Dickie and BVD were mentioned often by consumers, but were not on managers' Top 10 lists.

This was the first time consumers mentioned Van Huesen enough times to make the Top 10 on the consumer chart. Other newcomers to the consumer list included Wrangler and Bugle Boy.

Bugle Boy, primarily a department store brand, was placed highly by both consumers and managers in the 1991 list.

Wrangler, which fell off the consumers' Top 10 in 1990, was named top brand by store managers.

The Top 3 brands were the real story in the men's category. Together Levi's, Hanes and Fruit of the Loom garnered 71% of all mentions, with the small remainder spread out among the seven other brands.

This was true among individual stores as well. At Kmart, the Top 3 got 61% of the mentions. At Target, they received 73% of the mentions. Only at Wal-Mart were more brands beneficiaries of shoppers' mentions.

Though they have switched positions in the last four years, Levi's, Hanes and Fruit of the Loom have been in the men's wear top spots throughout that time.

Perhaps because of the strength of these Top 3 brands—all considered apparel basics—the shoppers responding to this category showed more of a brand preference than any other apparel area. A full 66% of those questioned said they had a brand preference in men's wear. This result was far higher than either children's wear (44%) or women's wear (49%).

This coincided with a drop in the number of consumers willing to switch men's wear brands. In the current survey, only 37% of shoppers said they would switch if they could not find the brand they wanted, compared to 57% of shoppers that were willing to switch in last year's survey.

While these shoppers are adament about their brands, they do not believe these labels are easily found in the discount stores they shop.

About 31% of respondents said they were confident they could find their brands of choice at the store they shopped most. This was a 5 percentage point drop from the confidence level in 1990—the largest drop of any apparel category.

Consumer Brand Preferences In Men's Apparel

Top Brands	Discount Shoppers	Kmart	Wal-Mart	Target
Levi's	30%	29%	26%	30%
Hanes	23	23	24	28
Fruit of the Loom	18	20	17	15
Wrangler	8	8	11	5
Arrow	8	8	10	6
BugleBoy	5	5	6	5
Van Heusen	3	2	1	3
Lee	2	1	1	2
Dickey	2	2	2	3
BVD	2	3	—	4

Source: DSN/Leo J. Shapiro & Associates

Top Men's Apparel Brands Store Managers vs. Shoppers

Managers	Consumers
Wrangler	Levi's
Fruit of the Loom	Hanes
Hanes	Fruit of the Loom
Lee	Wrangler
Levi's	Arrow
Bugle Boy	Bugle Boy
Gitano	Van Heusen
Rustler	Lee
Brittania	Dickey
Manhattan	BVD

Top 10 rankings in each category are based on discount store managers' response to the question: 'What are your best performing brands in (department)?' and discount store consumers' response to the question: 'If you were shopping for (product) in discount department stores, which brand of that product would you want?'

Source: DSN/Leo J. Shapiro & Associates

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Maybelline Regains Top Spot in Cosmetics

Nearly nine out of 10 women have a specific brand preference when buying cosmetics at a discount department store. Only household cleaners and photo had a higher brand preference.

Maybelline reclaimed the No. 1 ranking from Cover Girl this year, with 33% of women naming the brand as their preferred choice, compared to 26% who named Cover Girl. Last year, Cover Girl and Maybelline tied for the top spot, each with 25% of mentions.

Discount stores are apparently doing a satisfactory job of supplying female shoppers with the brands they want most. According to the survey, more than half said they were "sure" they would be able to find the brands they want at the discount store they shop at most often. On a scale of 1 to 9 (1 = "not likely" to find; 9 = "sure" of finding their preferred brand), cosmetics received a mean rating of 7.79, the fourth highest of the categories surveyed.

Few women are interested in private labels, with only 1% expressing a preference.

The study reveals that stores that do not stock a wide selection of the most preferred brands will most likely lose sales. Only about one-third of consumers would buy another brand if their store did not have the one they wanted. The other two-thirds, would skip the purchase altogether if the store did not stock the brand they wanted.

The standings of the top brands were relatively stable among shoppers at the three largest discount store chains—Wal-Mart, Kmart and Target. At all three chains, Maybelline was named most often as the preferred brand. Revlon edged out Cover Girl for the No. 2 position at Target, and L'Oreal received its highest rate of mentions among Wal-Mart customers.

Consumer Brand Performance In Cosmetics

Top Brands	Discount Shoppers	Kmart	Wal-Mart	Target
Maybelline	33%	32%	35%	31%
Cover Girl	26	28	27	22
Revlon	18	18	14	26
Clarion	6	6	7	7
Max Factor	6	6	5	5
L'Oreal	5	5	10	2
Almay	4	4	3	4
Clairol	4	4	5	2
Avon	3	3	2	1
Sally Hansen	3	3	3	4

Source: DSN/Leo J. Shapiro & Associates

Top Cosmetics Brands Store Managers vs. Shoppers

Managers	Consumers
Maybelline	Maybelline
Cover Girl	Cover Girl
Revlon	Revlon
L'Oreal	Clarion
Max Factor	Max Factor
Noxell	L'Oreal
Almay	Almay
Clairol	Clairol
Clarion	Avon
Coty	Sally Hansen

Top 10 rankings in each category are based on discount store managers' response to the question: 'What are your best performing brands in (department)?' and discount store consumers' response to the question: 'If you were shopping for (product) in discount department stores, which brand of that product would you want?'

Source: DSN/Leo J. Shapiro & Associates

Children's Wear Brands Play Musical Chairs

Children's wear shoppers are extremely fickle, according to *DSN*'s 1991 Top Brands Consumer Survey. Four new names appeared on the category's Top 10 chart compared to last year and only five of the brand names matched brands mentioned by store managers as top performers.

Consumers also seemed hard pressed to pick a favorite brand.

In the No. 1 and 2 positions, Levi's and Hanes were each mentioned by 12% of the respondents. In the No. 3 and 4 spots, OshKosh and Fruit of the Loom each garnered 10% of the mentions in the survey.

These Top Four brands far outpaced the remaining mentions. But even further down the list, the race was close.

Not surprisingly, consumers also said they would switch children's wear brands if their preferred choice was not available. Just over 63% of those questioned said they would switch. This was down slightly from 69% in last year's survey. Only 37% said they would skip the purchase if their brand was not available.

At the same time, 46% were confident of finding their favorite brand at the discounter they shopped most often.

There were a number of differences between brands mentioned by store managers and this consumer survey. While Levi's was most often on the minds of consumers, it did not make the Top 10 list of store managers' best performing brands.

Huggies, Nike, Reebok and Buster Brown were also missing from the managers' charts. It should be noted, however, that the latter three are considered upscale brands. Consumers may be familiar with these brands through other retail outlets.

In addition, Huggies, Nike, Gerber and Wrangler were new to the consumer's Top 10.

At individual stores, results were very similar to the overall Top 10. Levi's and Hanes topped the list at Kmart, Wal-Mart and Target.

The only aberration at Wal-Mart was Gitano. In the managers' survey, 10% of Wal-Mart executives named it as a top performer in children's wear. Wal-Mart shoppers did not mention it at all. The brand does better with both managers and consumers in other apparel categories.

Consumer Brand Preferences In Children's Apparel

Top Brands	Discount Shoppers	Kmart	Wal-Mart	Target
Levi's	12%	12%	12%	12%
Hanes	10	12	8	9
OshKosh	10	10	8	10
Fruit of the Loom	10	10	6	3
Huggies	6	6	6	8
Nike	5	3	8	6
Gerber	5	4	9	4
Reebok	4	4	7	2
Buster Brown	3	2	5	4
Wrangler	3	3	4	—

Source: DSN/Leo J. Shapiro & Associates

Top Children's Apparel Brands Store Managers vs. Shoppers

Managers	Consumers
Fisher-Price	Levi's
Lee	Hanes
Wrangler	OshKosh
Fruit of the Loom	Fruit of the Loom
Gerber	Huggies
Liberty	Nike
Gitano	Gerber
Hanes	Reebok
Curity	Buster Brown
OshKosh	Wrangler

Top 10 rankings in each category are based on discount store managers' response to the question: 'What are your best performing brands in (department)?' and discount store consumers' response to the question: 'If you were shopping for (product) in discount department stores, which brand of that product would you want?'

Source: DSN/Leo J. Shapiro & Associates

At the Big 3, Different Name Brands Clean Up

The distinct buying and promotional strategies of Wal-Mart, Kmart and Target contributed to wide differences in consumer preference for name brands in the household cleaners and detergents category.

Tide, which was a top brand with all consumers, was especially preferred by consumers who shopped Wal-Mart most often. Other laundry cleaners such as Cheer, All and Clorox were sought by Target shoppers more than by Kmart and Wal-Mart customers. Downy and Wisk were preferred by Kmart customers. Broadly speaking, these are also the brands that each of the chains are likely to promote in household cleaner departments.

Kmart shoppers were more apt to single out a household cleaner brand that they preferred than were shoppers of Target or Wal-Mart. Of Kmart shoppers, 93% stated a brand preference. Among the preferred "brands" of Kmart shoppers are the chain's private label selections. In fact, among Kmart shoppers, the private label was a sought-out brand more often than were national brands like Cheer, Mr. Clean and Ivory.

Consumer Brand Preferences In Household Cleaners

Top Brands	Discount Shoppers	Kmart	Wal-Mart	Target
Tide	32%	29%	32%	26%
Comet	14	14	15	15
Clorox	13	13	14	19
Windex	10	10	12	8
Dawn	9	8	9	6
Lysol	9	9	10	10
Pine-Sol	7	8	9	4
Ajax	7	8	6	8
Cheer	5	4	5	9
Mr. Clean	5	4	7	7

Source: DSN/Leo J. Shapiro & Associates

Target shoppers, in contrast, had the lowest level of preference for brand names of the three chains, but were nonetheless more likely to name lesser-known brands. More than one-fourth of Target shoppers preferred a household cleaner other than the 40 most commonly mentioned brands. Private label carried little weight with Target customers.

Wal-Mart shoppers were most likely to name one of the top 40 brands as the one they prefer, with less than one out of five people mentioning a lesser-known household cleaner.

Consumers were more apt to have a brand preference for household cleaners than for any other category in the survey, with the exception of photo & camera. More than one out of every 10 consumers said they had a specific brand of household cleaner they shop for, compared with one out of eight for candy & snacks for example, or one in six for housewares.

But consumers are less certain that they will find the brand they want in the discount store they shop most. Between 1990 and 1991 there was a 10 percentage point decline in the number of shoppers who said they were sure they could find the household cleaner brand they wanted, the lowest level the category has had since the survey was first undertaken in 1987.

Top Household Cleaners Brands Store Managers vs. Shoppers

Managers	Consumers
Tide	Tide
Clorox	Comet
Procter & Gamble	Clorox
Windex	Windex
Cheer	Dawn
Dow	Lysol
Purex	Pine-Sol
Dawn	Ajax
Lysol	Cheer
Formula 409	Mr. Clean

Top 10 rankings in each category are based on discount store managers' response to the question: 'What are your best performing brands in (department)?' and discount store consumers' response to the question: 'If you were shopping for (product) in discount department stores, which brand of that product would you want?'

Source: DSN/Leo J. Shapiro & Associates

Perhaps the disparity between store managers' views of their top performing brands and consumers' most preferred brands provides a clue as to why consumers are not finding what they want on the shelves.

Nearly half of the brands consumers prefer most were not considered to be among the top performers in the category, according to store managers. Comet, for example, was the second-most frequently preferred brand by consumers, but store managers did not rank Comet among their top performers.

The willingness to switch to another brand, however, softened the effects of not being able to find the preferred brand. More than half of all consumers said they would try another brand rather than forgo a purchase of household cleaners, the highest level ever recorded in the survey.

Consumers Often Can't Find Their Preferred CE Brands

For the third consecutive year, Sony was the consumer electronics brand most sought after by discount store shoppers. Nintendo also made significant headway with consumers.

Overall, there was considerable movement within the Top 10 chart compared to last year, with Zenith, JVC, Sharp and Eveready replacing Magnavox, Sanyo, Memorex and Pioneer in the chart's lower reaches.

Several brands, notably Sony, Nintendo and Panasonic, increased their visibility over last year, but the largest gainer, perhaps, was "no preference." More than 25% of consumers said that they had no preferred brand in the category, a surprisingly high total (and the highest for the category ever) given the widespread advertising and publicity associated with the product area. Last year, more than four of five consumers had a preferred brand.

Consumers were also strongly convinced that even if they did prefer a brand, they wouldn't be able to find it in a discount store. Asked how confident they were of finding their preferred brand, only 28% strongly believed that they would find it at their local discounter, the second-lowest confidence rating in the store.

This might reflect shortages of popular video games over the past two years, as well as the traditional lack of upper end brands and higher-quality goods from middle tier brands. Sony, for instance, is well-represented in the portable audio section of discount stores and not nearly so well in large-screen televisions.

Consumers had absolutely no interest in private label consumer electronics goods, with only 1% (the lowest figure in the store) saying that they prefer private label goods. However, apart from a handful of accessories and lower-end electronics like personal stereos, private label presence in the industry at the discounter level is nearly nonexistent anyway.

Electronics consumers are relatively unwilling to switch brands when they do have a preference, with only about four of 10 saying that they'd consider another brand if the one they want is out of stock or not carried. That means, of course, that six of 10 would go somewhere else. Given average ticket value of the those decisions, discounters not stocking top brands or running into out-of-stock problems could be hurt badly.

With very few exceptions, top brands performed uniformly across the top three discount chains. The only significant variation was Nintendo, which performed very well at Wal-Mart and relatively poorly at Target. Panasonic performed better with Target consumers than with other shoppers, but not by a large margin.

In raw numbers, consumers were aware of a surprising number of brands. In all, 34 brands were named by at least one shopper, ranging from Apple to IBM to Toshiba to Samsung. Discount staples, like Yorx and Soundesign, were also mentioned relatively frequently at Kmart and Wal-Mart, but were not mentioned at all by Target shoppers.

Consumer Brand Preferences In Consumer Electronics

Top Brands	Discount Shoppers	Kmart	Wal-Mart	Target
Sony	22%	23%	20%	27%
Nintendo	14	16	18	10
Panasonic	10	9	10	12
General Electric	7	7	5	9
RCA	6	5	8	6
Zenith	5	5	6	5
JVC	5	5	7	4
Sharp	5	5	6	6
AT&T	4	4	6	—
Eveready	4	3	2	2

Source: DSN/Leo J. Shapiro & Associates

Top Consumer Electronics Brands Store Managers vs. Shoppers

Managers	Consumers
Emerson	Sony
General Electric	Nintendo
Sony	Panasonic
Panasonic	General Electric
RCA	RCA
Magnavox	Zenith
AT&T	JVC
Nintendo	Sharp
Sanyo	AT&T
Sharp	Eveready

Top 10 rankings in each category are based on discount store managers' response to the question: 'What are your best performing brands in (department)?' and discount store consumers' response to the question: 'If you were shopping for (product) in discount department stores, which brand of that product would you want?'

Source: DSN/Leo J. Shapiro & Associates

Consumers At Home With Branded Housewares

Consumers brand preference in housewares was less than in any previous year, but loyalty to certain core labels remained unshaken.

Only 58% of consumers could name a housewares brand that they prefer, compared with a high of 70% in 1989.

Part of the problem could be a rising doubt that they will find what they are looking for as they shop the housewares department. Consumers were generally less confident about finding the housewares brand they wanted in their local discount store than they were back in 1988. Over 40% said they were sure they would find the desired brand in 1988, but only 35% felt certain they would find it now.

Still, all in all, loyalty to the preferred brands remained fairly constant. As through the past four years, roughly half of all shoppers would decide not to make a purchase than switch to another brand.

Even among private label housewares, which had an upward curve from 1988 through 1990, "brand" loyalty has fallen in the latest survey. In 1990, 16% of consumers expressed a preference for private label, but this year the level slid back down to 1988 levels of 9%. Part of the explanation could be a decline in the number of chains offering private label housewares, and a rise in the number of chains which have developed an in-house brand that the consumer might not recognize as a private label.

While the general trend was down among private label housewares, Wal-Mart shoppers were somewhat more likely to name a store brand than Kmart shoppers and twice as likely as a Target shopper. More than one out of every 10 Wal-Mart shoppers said they would look specifically for a Wal-Mart private label within housewares.

Retailers and consumers pretty much agree on the department's top brands, but there are exceptions. For one thing, Ekco, manufacturer of bakeware and gadgets, was mentioned quite often by consumers both in 1991 and historically. Store managers, in contrast, have not found Ekco to be among their top performers for the past two years.

Also, the high recognition of the Revere brand among consumers is not mirrored among store managers; Revere has never been among the Top 10 housewares brands since *DSN* began the survey in 1987.

Half of consumers had a preferred glassware or dinnerware brand; this was the first year consumers were asked specifically about that housewares segment. Ready-to-assemble furniture was also given its own breakout for the first time, and one out of five people could name an RTA brand they preferred.

In glassware and dinnerware, Corning brands remained high. In fact, even Corning products which fall into the cookware/bakeware category were said to be a preferred brand. Four of the seven glassware or dinnerware brands that were mentioned by consumers are made by Corning.

Both of the two beverageware suppliers listed were more frequently mentioned by Wal-Mart shoppers than by customers of both Kmart and Target.

Consumer Brand Preference In Housewares

Top Brands	Discount Shoppers	Kmart	Wal-Mart	Target
Rubbermaid	12%	11%	9%	14%
General Electric	9	10	9	7
Black & Decker	7	6	5	8
Corning	6	7	5	3
Cannon	6	6	5	7
Mr. Coffee	5	5	6	5
Ekco	5	5	3	5
Corelle	4	5	6	3
Revere	4	5	2	4
Sunbeam	4	3	4	5

Source: DSN/Leo J. Shapiro & Associates

Top Housewares Brands Store Managers vs. Shoppers

Managers	Consumers
Rubbermaid	Rubbermaid
Black & Decker	General Electric
Proctor-Silex	Black & Decker
Tucker	Corning
Mirro	Cannon
Mr. Coffee	Mr. Coffee
Sterilite	Ekco
General Electric	Corelle
Corning	Revere
Corelle	Sunbeam

Top 10 rankings in each category are based on discount store managers' response to the question: 'What are your best performing brands in (department)?' and discount store consumers' response to the question: 'If you were shopping for (product) in discount department stores, which brand of that product would you want?'

Source: DSN/Leo J. Shapiro & Associates

Personal Care Appliances Plug Into Consumer Loyalty

Brand loyalty is on the rise among shoppers of personal care appliances. More than half of consumers participating in *DSN*'s annual Top Brands Survey said they would rather forego the appliance purchase than switch to another brand—the highest level of brand loyalty recorded in the five years that *DSN* has been conducting this survey.

Luckily, retailers continue to excel in their ability to provide consumers with the brands they want most, as evidenced by rising consumer confidence levels. Consumer confidence in finding the personal care brand they want most at the discount store they shop most often was at an all-time high this year.

A full 45% of consumers said they were sure they would find what they were looking for in personal care appliances when they shopped. Last year only 29% surveyed were that confident.

Consumers have a right to be confident because, with few exceptions, retailers and consumers were in agreement as to which were the leading brands in personal care appliances.

Norelco, which went from hardly a mention to one of the leading performing brands among store managers in a year's time, apparently delivered its marketing message to consumers as well. While Norelco was named by 14% of consumers this year, during the past two years the brand was named by only 4% of those surveyed.

Further indication of the agreement between retailer and shopper is the strength of Conair. For the past three years both of the survey populations said Conair was unshakably the No. 1 personal care appliance brand.

Braun Gains Ground

But there were exceptions to this like-mindedness. Braun, which never has been among store managers' top performing brands, has been a long-standing favorite among consumers. During each of the past three years, Braun was among the 10 most frequently mentioned consumer brands.

Differences among brand strength at specific chains were far-flung. Wal-Mart consumers generally named brands that Kmart and Target shoppers did not. For instance, 13% of Wal-Mart shoppers said Gillette was a preferred brand, while only 5% of Kmart shoppers and no Target customers said Gillette was their preferred personal care appliance brand.

Norelco, in contrast, was preferred by Kmart and Target shoppers rather than Wal-Mart's at nearly a 2-to-1 rate. As with all of the merchandise categories studied in the survey, the brands purchased and promoted by these chains is a contributor to consumer response.

Private label appliances were a much smaller factor this year than last, dropping back down to 6% after a 13% blip in the 1990 response rate, probably due to short-term test programs.

Wal-Mart had the highest percentage of shoppers opting for private label this year; 9% said "Wal-Mart" would be the preferred brand in the personal care department. Wal-Mart shoppers were also more likely to mention a brand other than the Top 15 as their preferred brand.

Top Personal Care Appliances Store Managers vs. Shoppers

Managers	Consumers
Conair	Conair
Norelco	Norelco
Vidal Sassoon	Clairol
Remington	Vidal Sassoon
Windmere	Remington
Clairol	Gillette
Jerri-Redding	Sunbeam
Black & Decker	Braun
General Electric	Black & Decker
Proctor-Silex	General Electric

Top 10 rankings in each category are based on discount store managers' response to the question: 'What are your best performing brands in (department)?' and discount store consumers' response to the question: 'If you were shopping for (product) in discount department stores, which brand of that product would you want?'

Source: DSN/Leo J. Shapiro & Associates

Consumer Brand Preferences In Personal Care Appliances

Top Brands	Discount Shoppers	Kmart	Wal-Mart	Target
Conair	23%	21%	22%	36%
Norelco	14	18	10	20
Clairol	14	9	14	15
Vidal Sassoon	14	13	10	13
Remington	9	9	11	11
Gillette	8	5	13	—
Sunbeam	7	9	9	4
Braun	5	6	6	6
Black & Decker	3	4	5	2
General Electric	3	2	3	4

Source: DSN/Leo J. Shapiro & Associates

Strong Brand Loyalty Develops in Photo Market

Consumers in a discount store's photo department have very definite brand preferences, with over 19 of 20 saying that they have a particular brand in mind when they shop.

At the same time, their confidence in finding that brand has eroded slightly, perhaps due to increased use of off-brand and private label film. Last year, 58% of consumers said they felt sure of finding their preferred brand at their local outlet, with a mean rating on a scale of 1 to 9 (with nine the most certain) of 7.97, the highest rating of any department. This year, the figures slipped to 55% with a mean confidence rating of 7.81, third storewide.

That's still pretty solid, but this occurs as many other departments were making gains. Health & beauty care, toys, cosmetics, housewares, stationery, apparel and others all showed gains.

Only about 40% of photo shoppers, one of the lowest percentages in the store, said that they would switch brands if their preferred one was out of stock. This is down sharply from the 49% who said they would last year. Clearly, brand preference translates very quickly to brand loyalty in this department.

And, to which brands are consumers loyal? As the chart indicates, there are no major surprises. Kodak was the runaway leader, with Polaroid and Fuji trailing by a considerable margin.

By outlet, Target shoppers named Kodak by an overwhelming margin, with nearly nine of 10 naming the brand; however, Fuji, Eveready and Duracell also did better than average at the upscale discounter. Polaroid performed poorly at Target, but relatively well at both Kmart and Wal-Mart, while Fuji was a favorite at Target. Duracell also performed better with Target consumers than with shoppers at other outlets.

Private Label Preference

Consumers were asked if they preferred private label products in any of several departments; only 4% expressed a preference for private label photo goods, despite widespread store brand programs at most mass merchandisers, with Kmart and Target leading the pack. This compares to the 34% who preferred private label hardware, for instance, or the 20% who looked for private label kid's apparel.

Apart from the top three film brands and Canon, which improved its perception industrywide this year, there were considerable differences between the preferences of consumers and the perceived performance of brand names as seen by store managers. The managers cited established hardware brands like Vivitar, Pentax, Nikon and Olympus, while consumers noted accessory brands like Duracell and Eveready, probably reflecting the fact that these are brands they shop for every day, while managers concentrated on the margin results of higher-ticket photo goods.

Overall, consumers seemed to be more aware of brands other than Kodak, Fuji and Polaroid, perennial top finishers in this survey. The increased penetration of camcorders into the American household seems to have been reflected this year, as traditional photo brands dipped slightly, and camcorder-type brands like Sony and Panasonic increased their share slightly. That trend has been building over the past two years, and should continue to do so as the camcorder becomes a part of everyday life.

Consumer Brand Preferences In Photo & Camera

Top Brands	Discount Shoppers	Kmart	Wal-Mart	Target
Kodak	80%	80%	82%	88%
Polaroid	7	8	7	3
Fuji	5	5	1	9
Duracell	5	5	5	7
Canon	5	5	5	3
Eveready	4	5	1	6
Scotch/3M	2	1	3	3
Minolta	2	2	2	1
Panasonic	1	2	1	—
Sony	1	1	—	—

Source: DSN/Leo J. Shapiro & Associates

Top Photo & Camera Brands Store Managers vs. Shoppers

Managers	Consumers
Kodak	Kodak
Canon	Polaroid
Polaroid	Fuji
Minolta	Duracell
Fuji	Canon
Pentax	Eveready
Vivitar	Scotch/3M
Nikon	Minolta
Sony	Panasonic
Olympus	Sony

Top 10 rankings in each category are based on discount store managers' response to the question: 'What are your best performing brands in (department)?' and discount store consumers' response to the question: 'If you were shopping for (product) in discount department stores, which brand of that product would you want?'

Source: DSN/Leo J. Shapiro & Associates

Cannon is Brand of Choice for Most Domestics Shoppers

Cannon was the most preferred brand of discount store shoppers looking to buy domestics in 1991. However, only about one-third of respondents had any brand preference at all in the department, one of the lowest figures in the store. Nearly three quarters of respondents named Cannon as their preferred brand.

Focusing on just bath towels and on sheets/pillowcases, Cannon was an even easier winner, with more than four of five respondents citing the brand. In window treatments, only Levolor and Kirsch received any mentions.

Overall, domestics shoppers were confident of finding the brands they prefer at discount stores. About four of 10 said they were "sure" of finding their favorite brand, and the mean rating on a scale of 1 to 9 was 7.51, above average.

And, just to make things a bit easier on discounters, more than half said that they would be willing to switch brands if the one they wanted wasn't in stock. And, 12% said that they preferred private label goods, possibly a reflection of the success of Target's Country Estates and Kmart's Martha Stewart programs.

The high level of brand-switching behavior is probably attributable to the increased fashion in discount domestics departments; consumers increasingly buy what looks good, not brand names. That may also contribute to the private label results.

Overall, consumers and discount store managers tended to name the same brands as top performers (in the case of managers) and preferred brands (in the case of consumers). Gloria Vanderbilt had a much higher consumer preference rate than it had as a top performer with store managers. And, discount retailers predictably failed to mention Martex, a popular consumer brand available only at department and specialty stores. Otherwise, differences were negligible.

On a chain-by-chain basis, there were small differences. Wal-Mart shoppers, for instance, did not mention either WestPoint Pepperell or Martex, which finished second and third overall.

While consumers as a whole said that they would only rarely buy private label goods (preferences not borne out by reported buying behavior), they were more likely to consider private label home fashions. Except towels. Only 10% preferred private label towels.

However, 36% said that they preferred private label RTA furniture, 31% preferred private label window treatments, and 18% preferred store brand sheets and pillowcases; those are the three highest percentages in the entire store. Overall, 12% said that they preferred private label domestics products. Of course, many consumers were unaware of brand names in two of those three categories, so private label probably doesn't have the same brand presence to overcome as in most other departments.

Consumer Brand Preferences In Domestics

Top Brands	Discount Shoppers	Kmart	Wal-Mart	Target
Cannon	74%	74%	74%	77%
Pepperell/Lady Pepperell/ Westpoint	4	4	—	3
Martex	4	5	—	3
Fieldcrest	3	4	7	—
J.P. Stevens	2	2	4	4
Burlington	1	1	3	3
Gloria Vanderbilt	1	1	—	—
Spring Maid	1	1	—	—
Dan River	1	1	—	—

Source: DSN/Leo J. Shapiro & Associates

Top Domestics Brands Store Managers vs. Shoppers

Managers	Consumers
Cannon	Cannon
J.P. Stevens	Pepperell/Lady Pepperell/ Westpoint
Pepperell/Lady Pepperell/ Westpoint	Martex
St. Mary's	Fieldcrest
Spring/Spring Mills	J.P. Stevens
Dan River	Burlington
Fieldcrest	Gloria Vanderbilt
Martha Stewart	Spring Maid
Beacon	Dan River
Dundee Mills	—

Top 10 rankings in each category are based on discount store managers' response to the question: 'What are your best performing brands in (department)?' and discount store consumers' response to the question: 'If you were shopping for (product) in discount department stores, which brand of that product would you want?'

Source: DSN/Leo J. Shapiro & Associates

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Wilson Still No. 1 With Consumers

Although Brand Preference Down in Sporting Goods in 1991

Consumers are sending a mixed message regarding their sporting good brand preferences.

On one hand, they express a pronounced disinterest in private label sporting goods, with only 3% preferring them over national brands, down from 13% in 1990.

Only the shoppers for toys, consumer electronics and cosmetics exhibited a lesser preference for private label goods, 1% each in the 1991 Top Brands survey of consumers.

Yet, sporting goods shoppers failed to exhibit a particularly strong brand preference, compared to other categories, with the percentage favoring any particular brand declining for the second year in a row.

In the 1991 survey, 56% named a favorite brand, down from 67% in 1990 and 71% in 1989. Adding the 3% who preferred private label to the 44% who preferred no brand means that almost half of the shoppers questioned had no favorite sporting goods brand.

In addition, those who did prefer a particular brand said their confidence in finding that brand fell for the second year in a row. Only 28% of shoppers who expressed a brand preference felt sure they would find that brand at their discount store, down from 33% last year and 40% in 1989.

On a scale of 1 to 9, where one is "unlikely" to find their favorite brand and nine is "sure" to find, the mean response dipped to 6.91 from 6.96 in 1990 and 7.22 in the 1989 survey.

***Eighteen percent** of Target shoppers named Wilson their preferred sporting goods brand.* (DSN photo)

Sporting goods brand managers could take some comfort, however, in the slight decline in the percentage of shoppers who said they were willing to switch to another brand if their favorite were unavailable, along with an attendant increase in the percentage who said they would walk out empty-handed rather than switch.

In the 1991 survey, 39% said they would be willing to switch. In comparison, the percentage of switchers had held steady at 47% in 1988 and 1989 and dipped only two percentage points to 45% in 1990.

The Top 10 rankings also indicated relatively weak brand followings, with favorites spread all over the ballpark. Wilson was No. 1 among consumers, but only 13% said it

(Continued on page 36)

Consumer Brand Preferences In Sporting Goods

Top Brands	Discount Shoppers	Kmart	Wal-Mart	Target
Wilson	13%	14%	14%	18%
Spalding	11	10	11	10
Zebco	7	6	10	5
Remington	7	6	9	3
Coleman	6	6	4	11
Penn	6	6	4	8
Top Flite	4	2	7	3
Nike	4	4	2	6
Rawlings	4	4	2	2
Louisville Slugger	4	4	5	3

Source: DSN/Leo J. Shapiro & Associates

Top Sporting Goods Brands Store Managers vs. Shoppers

Managers	Consumers
Coleman	Wilson
Wilson	Spalding
Zebco	Zebco
Spalding	Remington
Igloo	Coleman
Garcia	Penn
Shimeno	Top Flite
Daiwa	Nike
Rubbermaid	Rawlings
Diversified	Louisville Slugger

Top 10 rankings in each category are based on discount store managers' response to the question: 'What are your best performing brands in (department)?' and discount store consumers' response to the question: 'If you were shopping for (product) in discount department stores, which brand of that product would you want?'

Source: DSN/Leo J. Shapiro & Associates

Auto Parts Buyers Stay Brand Loyal

Purchasers of auto parts and accessories are less confident this year than last about finding their favorite brands in discount stores and more apt to walk out empty handed rather than switch to another brand.

Moreover, private label automotive products are no more popular today than they have been over the past two years. And in a major divergence from the opinions of store managers, Quaker State moved up to become the favorite brand of consumers, although it slipped to fourth place in the minds of store managers.

In the 1991 consumer survey, 41% of DIY customers said they were sure they could get their favorite brands at a discount store, down from 49% in the past two years. On a scale of 1 to 9, where one is "unlikely" to find their favorite brands and nine is "sure" of

(Continued on page 36)

Consumer Brand Preferences In Automotives

Top Brands	Discount Shoppers	Kmart	Wal-Mart	Target
Quaker State	20%	22%	16%	13%
Pennzoil	19	19	16	21
Fram	18	18	20	20
Valvoline	11	10	12	13
AC-Delco	8	8	10	9
Turtle Wax	8	7	7	8
Castrol	8	9	10	7
Prestone	6	6	9	6
Havoline	6	6	4	6
Armor All	5	5	4	7

Source: DSN/Leo J. Shapiro & Associates

Top Automotive Brands Store Managers vs. Shoppers

Managers	Consumers
Pennzoil	Quaker State
Havoline	Pennzoil
Prestone	Fram
Quaker State	Valvoline
Turtle Wax	AC-Delco
Valvoline	Turtle Wax
Armor All	Castrol
STP	Prestone
Fram	Havoline
Castrol	Armor All

Top 10 rankings in each category are based on discount store managers' response to the question: 'What are your best performing brands in (department)?' and discount store consumers' response to the question: 'If you were shopping for (product) in discount department stores, which brand of that product would you want?'

Source: DSN/Leo J. Shapiro & Associates

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Auto Parts and Accessories Buyers Stay Brand Loyal

(Continued from page 35)
finding, the mean slipped to 7.48 from 7.67 in 1990.

Although less certain of finding their brands, consumers appear more determined than last year to walk rather than switch. In the 1991 survey, 40% said they would switch to another brand and 60% said they would skip the purchase. That's about the same as the 1988 switch/skip ratio of 43% to 57%.

In last year's Top Brands Survey, 49% of consumers said they would be willing to switch if their favorite automotive brands were unavailable, while 51% said they would leave empty handed.

As for private labels, only 17% of consumers said they preferred them over national brands, while 73% expressed brand preferences. That was the same percentage as in the 1990 and 1989 surveys but higher than the 12% of respondents who expressed a preference for private label goods in 1988.

In their brand preference rankings, Quaker State narrowly edged out Pennzoil, 20% to 19%, in the Top 10 rankings, while Fram placed a close third with 18%. That was the first time in four years that Quaker State edged out Pennzoil and marked a considerable improvement over its 13% share and second place rating among consumers in 1990.

Quaker State was more popular among Kmart shoppers, 22% of whom named it their preferred brand, than with Target customers, 13%, and Wal-Mart, 16%. On the other hand, No. 2 Pennzoil was more popular with Target shoppers, 22%, than Wal-Mart's, 16%, and Kmart's, 19%.

In sharp contrast to consumer preferences, Pennzoil was the overwhelming favorite of store managers this year, garnering 40% of top brand mentions, while Quaker State slipped to fourth place from second, with 31% of mentions.

Fram also is a more potent brand name among consumers than store managers in this year's survey. Managers in 1991 reduced the air and oil filter brand to ninth place, with 12% of top brand mentions, from third place and 25% in 1990.

In another significant variation, consumers ranked Havoline, which now is close to becoming the second best selling motor oil brand, in a sixth place tie with Prestone in their thinking.

Consumers still regard AC-Delco as one of their Top 10 brands, placing it in a three-way tie for fifth place with Turtlewax and Castrol. In contrast, AC-Delco slipped off the managers' Top 10 list.

Wilson Still No. 1 Brand Preferred By Consumers

(Continued from page 35)
was their preferred brand, compared to 39% of store managers who named Wilson as one of their top performing brands, ranking it No. 2 at retail.

Wilson was a bit more popular with Target shoppers, 18% of brand preferences, than at Kmart and Wal-Mart, each with 14%. Store managers had placed Coleman as their No. 1 top brand, giving it 54% of total top brand mentions.

In contrast, consumers put Coleman in a fourth place tie with Penn (racket sports), with 6% naming each as their favorite brand.

Consumers placed Spalding in the No. 2 spot, with 11% naming it as their favorite brand. In addition, 4% named Top Flite, Spalding's golf ball brand, as their preference in a four-way tie for fifth place with Nike, Rawlings and Louisville Slugger. Managers placed Spalding fourth on their Top 10 chart, with 30% of all mentions.

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Hardware Shoppers Not Nailed to Their Brands

Brand loyalty seems to mean far less to hardware shoppers than to those buying from other hard lines categories.

Of consumers surveyed for the 1991 Top Brands study, 34% prefer private label hardware goods to national brands, compared with 17% for automotives and 3% for sporting goods.

In addition, only a quarter of consumers were confident they would find the national brands they want in stores.

Although Stanley and Black & Decker (B&D) came out No. 1 and No. 2 in the consumer survey, as they did with store managers, they don't own the category as with retailers. Among consumers, 21% preferred Stanley, compared to 77% of managers. And 17% of consumers mentioned B&D, against 74% of managers.

Among Wal-Mart shoppers, 20% of 109 preferred B&D, compared with 17% of 85 Target customers responding and 15% of 172 Kmart shoppers.

A preference for Stanley was more even among Big Three customers: 20% of Kmart shoppers, 19% of Wal-Mart and 18% of Target shoppers.

Consumer Brand Preferences In Hardware

Top Brands	Discount Shoppers	Kmart	Wal-Mart	Target
Stanley	21%	20%	19%	18%
Black & Decker	17	15	20	17
General Electric	8	9	8	10
Skil	4	3	5	6
Dutch Boy	4	4	2	3
Glidden	3	3	3	2
DuPont	1	1	—	1
Rubbermaid	1	1	—	—
Duracell	1	1	—	—
Lucite	1	1	—	—

Source: DSN/Leo J. Shapiro & Associates

And the last four brands on the Top 10 chart, DuPont, Rubbermaid, Duracell and Lucite, each made it with 1% or less of the 207 shoppers who expressed a brand preference.

Shoppers placed General Electric in the No. 3 slot, with 8% of mentions, while 3% of managers named the brand as a top performer, at No. 7.

In contrast, store managers had placed Glidden in third place. But both consumers and managers assigned Skil to the No. 4 slot on the Top 10.

On a scale of 1 to 9, with one "unlikely" to find and nine "sure" to find, only 26% were sure of finding preferred hardware brands in discount stores, an erosion of confidence from 31% in 1990, 36% in 1989 and 37% in 1988. The mean rating was 6.65 in 1991, down from 6.88 last year.

However, 42% said they would switch brands, less than last year's 47%. In 1989, 54% of consumers said they would switch brands if they couldn't find their preference, while the remaining 46% would skip the purchase.

In just three years, the ratio of switch to skip has almost reversed itself in favor of less brand switching and more walking out if favored brands are unavailable.

Top Hardware Brands Store Managers vs. Shoppers

Managers	Consumers
Stanley	Stanley
Black & Decker	Black & Decker
Glidden	General Electric
Skil	Skil
Dutch Boy	Dutch Boy
Lucite	Glidden
Sherwin Williams	DuPont
General Electric	Rubbermaid
Rubbermaid	Duracell
Bull Dog	Lucite

Top 10 rankings in each category are based on discount store managers' response to the question: 'What are your best performing brands in (department)?' and discount store consumers' response to the question: 'If you were shopping for (product) in discount department stores, which brand of that product would you want?'

Source: DSN/Leo J. Shapiro & Associates

Shoppers Don't Play Around With Different Toy Brands

With the lack of a blockbuster toy to lure people into toy departments, shoppers are relying more on the reputation of individual toy manufacturers.

According to results of *DSN*'s 1991 Consumer Brands Survey, toy shoppers are among the most brand conscious consumers. When asked if they shop with a specific brand in mind, more than two-thirds (68%) said they do, up from 62% last year.

The most brand conscious shoppers were at Kmart and Target. Seven of 10 shoppers at both chains expressed a preference for branded toys compared to six of 10 Wal-Mart customers.

Kmart shoppers are so brand conscious they mentioned 21 brands as preferred labels, compared to 14 for Wal-Mart shoppers and 12 for Target customers.

Only 1% of consumers preferred private label toys, the same response given in cosmetics and consumer electronics.

A year ago, 9% of toy shoppers said they preferred private label toys.

This year, two-fifths of consumers mentioned a toy brand other than the top 21 labels. A large number of lesser-known national brands and local and regional labels are making an impact at retail even if their individual response level doesn't measure up to making the top brands list.

In fact, 21% of Kmart shoppers, 22% at Wal-Mart and 12% at Target mentioned a toy brand classified as "other."

For the fourth year, Mattel was named by more consumers as their preferred toy brand, by a 32% to 19% margin over No. 2 Fisher-Price. Teenage Mutant Ninja Turtles, a license that has taken on national brand dimensions, was third, with products named by 10% of consumers.

Nintendo showed up on the toy list this year for the first time, ranked fourth, and named by 9%. Like Ninja Turtles and Nintendo, Parker Brothers was also a newcomer to the consumers' Top 10 list.

Hasbro did not make the Top 10 this year, falling from fifth last year. Huffy and Coleco also dropped off the Top 10.

Lego, among managers' top toy performers, was absent from consumers' Top 10.

However, three brands not listed by managers as Top 10 performers—Crayola, Parker Brothers and Tonka—were cited by consumers.

Consumers appear so connected to certain toy brands that only 46% of them said they would switch brands if they couldn't find the one they were looking for. That means 54% would skip the purchase.

Only 44% of toy shoppers were "sure" of finding exactly what they're looking for, down from 47% in 1990.

Overall, consumers gave retailers a mean confidence score of 7.35 in toys, based on a nine-point scale.

Consumer Brand Preferences In Toys

Top Brands	Discount Shoppers	Kmart	Wal-Mart	Target
Mattel	32%	35%	30%	43%
Fisher-Price	19	19	16	15
Teenage Mutant Ninja Turtles	10	10	10	17
Nintendo	9	7	10	13
Milton Bradley	8	8	9	5
Crayola	5	6	4	5
Playskool	5	5	5	9
Little Tikes	4	5	6	2
Parker Bros.	4	5	3	—
Tonka	3	4	—	3

Source: DSN/Leo J. Shapiro & Associates

Top Toy Brands Store Manager vs. Shoppers

Managers	Consumers
Fisher-Price	Mattel
Mattel	Fisher-Price
Playskool	Teenage Mutant Ninja Turtles
Little Tikes	Nintendo
Hasbro	Milton Bradley
Lego	Crayola
Milton Bradley	Playskool
Huffy	Little Tikes
Teenage Mutant Ninja Turtles	Parker Brothers
Nintendo	Tonka

Top 10 rankings in each category are based on discount store managers' response to the question: 'What are your best performing brands in (department)?' and discount store consumers' response to the question: 'If you were shopping for (product) in discount department stores, which brand of that product would you want?'

Source: DSN/Leo J. Shapiro & Associates

Stationery Consumers Showing Less Brand Preference

With the huge assortment of high quality stationery products now available, consumers appear less committed to a specific brand than they were a year ago. Just 46% of stationery shoppers said they have a preferred brand in this category compared to 62% who said they had a brand preference in 1990.

Despite these results, shoppers in this survey did not express overwhelming support for private label or store brand stationery and voiced complete confidence that they can find exactly the products they are looking for at the discount store they shop at most.

Just 16% of stationery shoppers who expressed any type of brand preference said they prefer private label/store brand stationery products.

When asked to rate their confidence level of finding their preferred brands in their discount store, consumers gave stationery a mean score of 7.92 on a nine-point scale, higher than every other category except health and beauty care, which scored an 8.29.

Tempering these results is the fact that stationery shoppers are not loyal to specific brands. Nearly three-quarters (72%) of those surveyed said if they couldn't find the brand they were looking for, they'd switch to another label. Stationery received the highest switch score of any merchandise category surveyed.

The two leading stationery brands in this survey were Bic and Mead, the same as on *DSN*'s Top Brands survey of store managers, except the brands were in reverse order.

Consumer Brand Preferences In Stationery

Top Brands	Discount Shoppers	Kmart	Wal-Mart	Target
Bic	30%	31%	30%	36%
Mead	26	25	30	30
Papermate	15	12	16	15
Hallmark	7	6	7	8
Scripto	5	6	4	7
Crayola	5	6	—	8
Pentel	3	2	3	3
Stewart Hall	3	—	5	3
Scotch/3M	2	2	—	—
American Greetings	2	2	3	4

Source: DSN/Leo J. Shapiro & Associates

Top Stationery Brands Store Managers vs. Shoppers

Managers	Consumers
Mead	Bic
Bic	Mead
Stuart Hall	Papermate
Cambridge	Hallmark
Papermate	Scripto
Pentel	Crayola
Scotch/3M	Pentel
Parker	Stuart Hall
Norcom	Scotch/3M
Hallmark	American Greetings

Top 10 rankings in each category are based on discount store managers' response to the question: 'What are your best performing brands in (department)?' and discount store consumers' response to the question: 'If you were shopping for (product) in discount department stores, which brand of that product would you want?'

Source: DSN/Leo J. Shapiro & Associates

Shoppers Stamp Hallmark a Top Brand

Greeting cards ranks third among the categories in which consumers are most likly to switch brands if they don't find the specific product that they want, with 62% of the discount store shoppers surveyed indicating that they would do so.

This predilection was one of the shopping sentiments that consumers voiced about the category in *DSN*'s Top Brands Consumer Survey, which also showed that Hallmark remained the overwhelming favorite brand for greeting cards.

Overall, discount store shoppers' preference for brand name greeting cards jumped 11 percentage points to 62% in the latest survey. Interest in private label cards, meanwhile, dropped precipitously—the same 11 percentage points—as just 2% of those questioned expressing a desire for such merchandise.

But customer confidence in finding the brand they wanted in the discount store they shopped at most often was mixed, with only slightly more than half of those surveyed noting that they were certain that they would find the desired line of greeting cards.

These different attitudes about the category reflect two distinct facts—a greeting card's message is the determining factor in buying a card and there are few national brands to choose among, with only six lines cited by shoppers in the study.

While consumers overall wanted name brand merchandise, Wal-Mart shoppers showed the greatest preference (63%), followed by customers at Target (62%) and then Kmart (60%).

Consumer Brand Preferences In Greeting Cards

Top Brands	Discount Shoppers	Kmart	Wal-Mart	Target
Hallmark	77%	79%	73%	80%
American Greetings	11	11	7	11
Sangamon	4	2	7	2
Shoe Box	3	3	4	6
Ambassador	3	4	4	6
Gibson	1	1	2	—

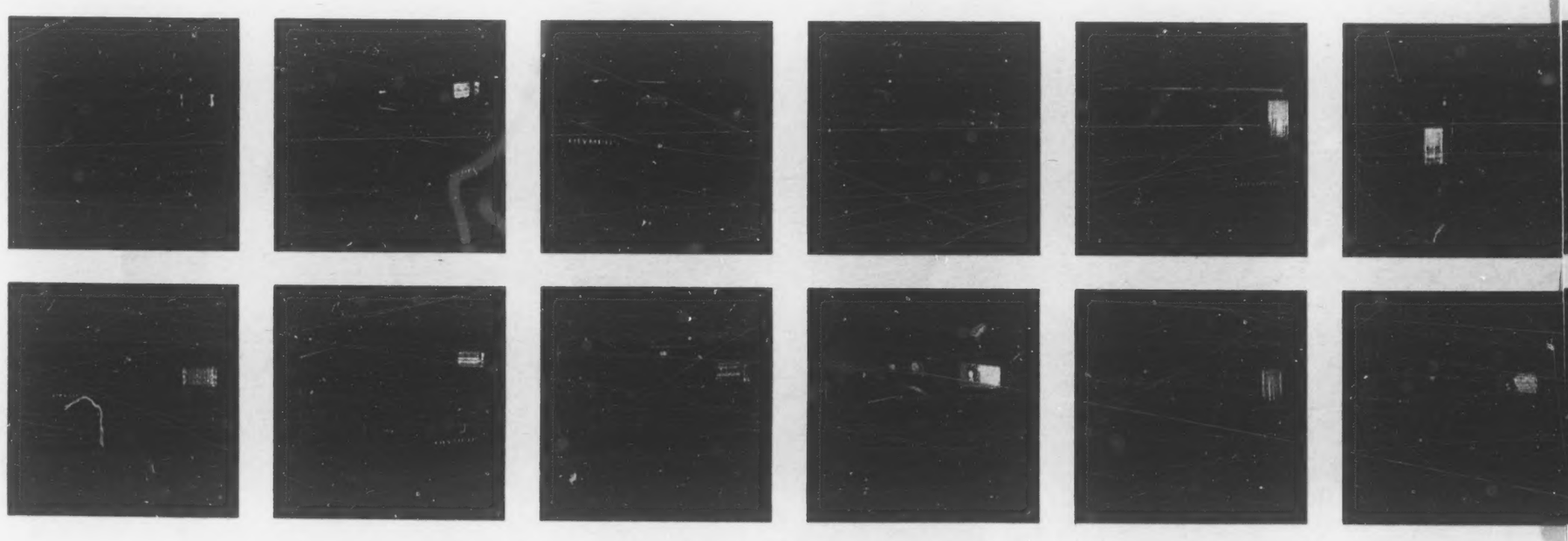
Source: DSN/Leo J. Shapiro & Associates

Top Greeting Card Brands Store Managers vs. Shoppers

Managers	Consumers
American Greetings	Hallmark
Ambassador	American Greetings
Gibson	Sangamon
Sangamon	Shoe Box
Hallmark	Ambassador
	Gibson

Top 10 rankings in each category are based on discount store managers' response to the question: 'What are your best performing brands in (department)?' and discount store consumers' response to the question: 'If you were shopping for (product) in discount department stores, which brand of that product would you want?'

Source: DSN/Leo J. Shapiro & Associates



TOP BRANDS: PART II

Top Food, Candy & Snack Brands Store Managers vs. Shoppers

Managers	Consumers
M&M/Mars	Snickers
Frito-Lay	Hershey's
Planters	M&M's
Hershey's	Frito-Lay
Brach's	Lay's
Nabisco	Brach's
Sather	Keebler
Pepsi	Little Debbie
Little Debbie	Nabisco
Coke	Reese's

Top 10 rankings in each category are based on discount store managers' response to the question: 'What are your best performing brands in (department)?' and discount store consumers' response to the question: 'If you were shopping for (product) in discount department stores, which brand of that product would you want?'

Source: DSN/Leo J. Shapiro & Associates

Consumer Brand Preferences In Food, Candy & Snacks

Top Brands	Discount Shoppers	Kmart	Wal-Mart	Target
Snickers	19%	17%	23%	16%
Hershey	10	10	9	11
M&M/Mars	10	10	9	18
Frito-Lay	8	9	8	15
Lays	7	7	8	2
Brach's	7	5	7	7
Keebler	6	7	7	5
Little Debbie	5	5	8	4
Nabisco	5	5	4	6
Reeses	5	5	6	4

Source: DSN/Leo J. Shapiro & Associates

Shoppers Sure They'll Find Top Food Brands

The diversity of product in food, candy and snacks has kept consumers very confident they'll find the right brand to satisfy any craving.

In fact, shoppers gave food a mean confidence score of 7.78 on a nine-point scale, higher than every other merchandise area except health & beauty care and photo and camera, according to *DSN*'s 1991 Consumer Brands Survey.

A year ago, food, candy and snacks scored a slightly higher 7.97 on the confidence scale. Perhaps the small decline in confidence is linked to the large and growing list of food, candy and snack items in the category and retailers' inability to carry everything. The large menu of available items has forced many retailers to chose only the best moving items.

But the overall high confidence rating in the category has meant that many food shoppers are more likely to be satisfied with the merchandise selection than are other shoppers. Therefore, when asked if they would switch brands or skip the purchase if they could not find their preferred brand, 56% said they would switch brands. Shoppers show little taste for private label goods.

Consumer Brand Preferences In Health & Beauty Care

Top Brands	Discount Shoppers	Kmart	Wal-Mart	Target
Crest	14%	16%	17%	16%
Suave	12	14	17	14
Colgate	9	7	11	7
Head & Shoulders	7	8	8	4
Ivory	6	6	6	5
Clairol	5	5	5	6
Shulton Inc./ Old Spice	5	5	4	4
Dial	5	4	5	5
Johnson & Johnson	5	4	6	4
Right Guard	4	4	5	4

Source: DSN/Leo J. Shapiro & Associates

Top Health & Beauty Care Brands Store Managers vs. Shoppers

Managers	Consumers
Crest	Crest
Colgate	Suave
McNeil Labs	Colgate
Johnson & Johnson	Head & Shoulders
Suave	Ivory
Listerine	Clairol
Procter & Gamble	Shulton Inc./Old Spice
Clairol	Dial
Scope	Johnson & Johnson
White Rain	Right Guard

Top 10 rankings in each category are based on discount store managers' response to the question: 'What are your best performing brands in (department)?' and discount store consumers' response to the question: 'If you were shopping for (product) in discount department stores, which brand of that product would you want?'

Source: DSN/Leo J. Shapiro & Associates

Branded H&BC Items Enhance Store Status

Discounters are right in their judgement that playing up name brands in health and beauty care gives them a chance to enhance their merchandising status while drawing customers.

H&BC ranked among the top four departments in which consumers had the strongest preferences for name brand merchandise, with 85% of those questioned noting a desire for a specific product. And shoppers had the most confidence they would find the products they wanted in a discount store.

The survey also showed that shoppers have little desire for private label H&BC products—only 3% indicated such an interest—and were as likely as not to skip making a purchase if they didn't find the brand they wanted.

The survey this year charted 72 brands, a 12.5% jump from the 64 specific products cited in last year's study. Also tracked were store brands and local labels but these weren't mentioned by name in the final tally.

While the preference for brands was strong among all discount consumers, Target shoppers showed the greatest preference (87%), followed by those at Wal-Mart (86%) and Kmart (84%).

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Sears Targeted By Shareholders Group

WASHINGTON — The United Shareholders Association named Sears as the only retailer among 41 major corporations that are the target of a nationwide campaign to upgrade shareholder rights.

USA, a non-profit shareholders group with over 64,000 members, wants Sears to make two specific changes: allow confidential proxy voting and opt out of state statutes that USA contends are anti-shareholder. Last year, Kmart was one of USA's targets. That effort saw the retailer agree to put a time limit on its poison pill provision.

USA's drive at Sears is separate from the efforts of shareholder-rights activist Robert A.G. Monk, who said he would renew his fight to win a seat on Sear's board after failing to do so earlier this year (see *DSN*, May 20, page 2). Sears' $2.8 million effort against Monk was the key factor in USA's decision to target the retailer.

The group is considering other changes it may push for at Sears, a USA executive said.

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FOR NON- RETAILERS

Autumn 1991

WHERE CONSUMERS SHOP

FM's Annual Survey of
Consumers' Household Spending at
Discount, Drug and Warehouse Stores

A special supplement to
Discount Store News

Where Consumers Shop

Despite the efforts of discounters and drug stores to reap larger sales volume from their food areas, consumers still buy the lion's share of their household goods from grocery stores.

But one thing is certain: Americans today have more options than ever on where to go to buy their grocery products.

They can go the traditional route and opt for a conventional or combination supermarket. For a quick stop, they can frequent the convenience store. To save on big quantities, the family can make a trip to a wholesale club or hypermarket.

They can also fill many of their needs at a drug store or discount store. Over the last few years, both of these formats have extended food offerings in an attempt to lure more food customers.

To find out how consumer food grocery shopping habits are changing, Fairfield Research conducted a telephone survey of 200 households in August 1991 for *Food Merchandising*. The survey has a 95% confidence level, according to the Nebraska-based research firm.

The *FM*/Fairfield study showed grocery stores are still the favored outlet for household needs. However, all outlets are receiving invigorated challenges from convenience stores. Drug stores and discounters—despite efforts to put a spike in food sales—showed small declines in frequency of shopping from 1990.

There are slight variations, however, based on the complexion of the household. Overall, households with children make slightly more shopping visits per month—and make more visits to convenience stores than do adult-only household shoppers.

Families with children also frequent discounters more than those without offspring. Adult-only households favor drug stores more than those with kids. Not surprisingly, when women are the primary shopper, they make more shopping visits (15.09) per month than male primary shoppers (14.57).

All food and snack categories tracked by Fairfield Research declined in indication of "ever buying" from 1990 to 1991 in discount stores. And all categories with the exception of packaged/dry groceries diminished in drug stores. Retailers attributed the slight increase in buying of packaged goods in drug outlets to the fact that drug stores have just started carrying the items.

Other factors in the selection equation include convenience of shopping locations, parking, price, staff and store cleanliness.

As far as discount stores, convenience was viewed as very important with the majority—60%—of people surveyed. Parking was also viewed as very important; 21% ranked it as somewhat important.

Price, however, will still bring people down the road a bit farther—75% indicated price was very important. And selection, too, can help overcome a poor location or scant parking. Just over 70% rated variety/selection as very important. And 78% put cleanliness and neatness at

Where consumers shop for household products

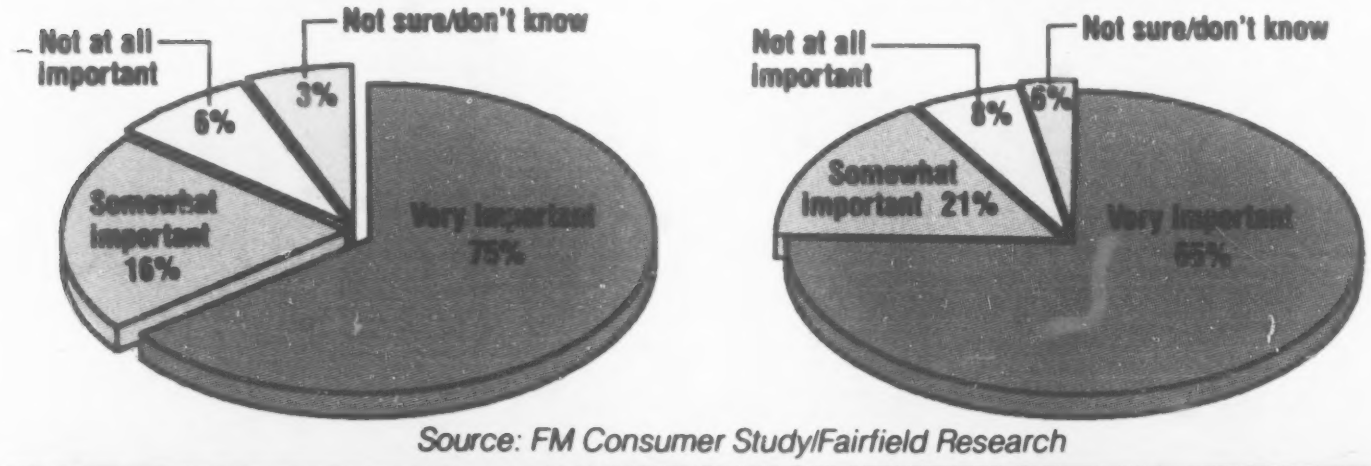
	1991		1990	
	% Shopping Store	Mean Times/Month	% Shopping Store	Mean Times/Month
Grocery Store	98	7.36	99	6.94
Discount Store	77	3.08	81	3.33
Drug Store	72	2.67	70	2.94
Convenience Quick Stop	43	6.84	37	5.97
Warehouse club	29	1.41	26	2.46

Source: FM Consumer Study/Fairfield Research

Average percent of total household purchases made at each type of non-grocery store

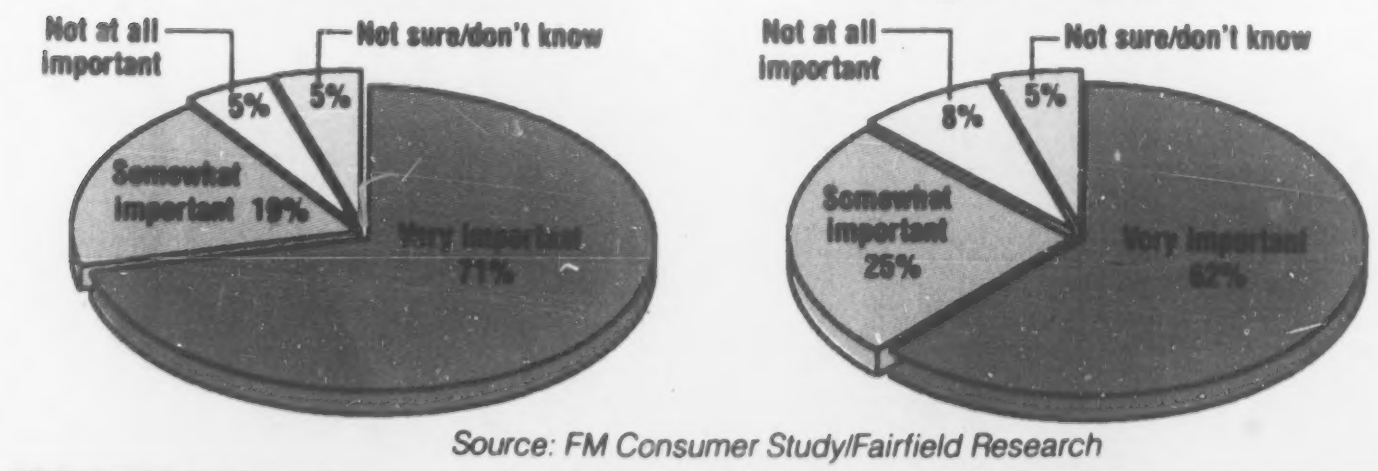
	Discount dept. store	Drug store	Warehouse club
Candy & gum	16.6%	3.0%	4.4%
Chips & snacks	7.6	0.3	4.3
Soft drinks	6.9	0.8	3.3
Other non-alcoholic Beverages	2.5	0.7	3.8
Pet foods/accessories	9.6	0.9	6.1
Alcoholic beverages	1.5	2.2	6.2
Packages/dry goods	3.0	0.4	6.3

Source: FM Consumer Study/Fairfield Research



Source: FM Consumer Study/Fairfield Research

***Warehouse clubs like Pace** are grabbing a higher percentage of consumers' household shopping dollars.*



Source: FM Consumer Study/Fairfield Research

the top of the importance scale.

A helpful staff is always a boost. Seventy-five percent of shoppers rated help as an very important factor in deciding where to shop.

A relatively new issue—environmentally safe products—are rated very important by 58% and somewhat important by 28% in discount stores, and by 53% as very important in drug stores. Households with children deem environmental issues as having greater importance than do adult-only households.

The statistics were similar for drug stores, although parking and price play a smaller role. Cleanliness and neatness plus friendly and helpful staffs are proportionately more important to customers at drug stores.

Following are some key findings of each food classification studied.

Candy & gun: Discount stores are snaring a proportionately high share of candy and gum purchasing. Those responding to the survey indicate they buy about 16% of these items at discount stores. However, grocery stores dominate, with those surveyed saying they buy about 63% of their total candy and gum purchases at food stores. The research also suggests that discounters in the South and Midwest command a relatively strong candy and gum business against supermarkets.

Although candy accounts for hefty sales at drug stores, consumers do not select drug outlets as a major source for candy and gum purchases. As far as candy and gum sales in general, it is no surprise to find households with children are more likely to buy candy and gum (82%) than those without (74%).

According to the research, consumers appear to buy candy and gum on impulse. The majority of purchases—65.5%—made at discounters and 72% in drug stores are typically bought at the regular price vs. a sale.

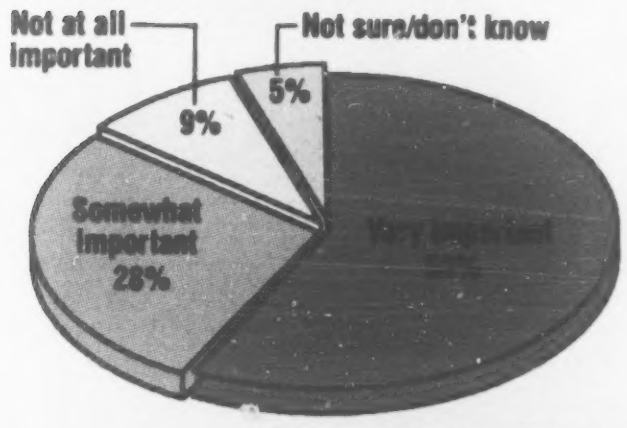
Chips & snacks: Almost 82% of consumers' chip and snack purchases are made in grocery stores, according to the study. Discounters' command about 7.6% of purchases and drug stores only 0.3%. Interestingly, chip and snack sales vary by region. Midwest households, for example, are more likely to purchase chips and snacks than those in other regions. Households with children have a higher incidence of picking up chips and snacks at a discount store than adult-only households.

Chips and snacks move faster on sale, the study suggested. Almost 62% of purchases in discount stores and 80% in drug stores are made on a promotion.

Soft drinks: Drug stores and discounters have added coolers, enlarged soft drink selections and advertised the category more than ever. Still, when consumers look for soft drinks, they still primarily select grocery stores, where on average, about 80% of soft drink pur-

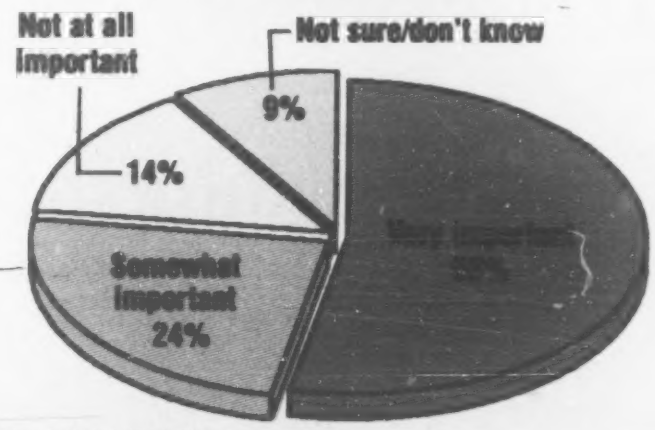
Importance of environmentally safe products

In selection of which discount store to shop at



Importance of environmentally safe products

In selection of which drug store to shop at



Source: FM Consumer Study/Fairfield Research

Demographics of food shoppers at non-grocery stores

	Discount dept. store	Drug store	Warehouse club
Residence			
City	41.5%	39.1%	50.8%
Suburbs	29.2	30.0	28.0
Rural	27.9	30.0	21.0
HH Income			
Under $20,000	17.5	17.4	12.2
$20-30,000	20.1	20.2	19.2
$30-40,000	20.7	15.3	22.8
$40-60,000	19.4	21.6	19.2
$60,000 plus	0.1	0.1	17.5
Region			
Northeast	18.1	19.5	0.1
South	36.3	39.8	45.6
Midwest	24.6	20.9	15.7
West	20.7	19.5	31.5
Female Shoppers	76.6	79.7	82.4

Source: FM Consumer Study/Fairfield Research

chases are made. However, almost 7% of purchases are made at discounters, 0.8% at drug stores.

Convenience stores and warehouse clubs came up often—5.5% of purchases are made at convenience stores, 3.2% at warehouse clubs.

Middle to high income families—those earning in excess of $30,000—are often more likely than those earning less than $30,000 to pick up soft drinks at discount stores.

Not surprisingly, consumers are swayed by price promotions. Soft drinks were on sale 82% of the time customers purchased them.

Non-alcoholic beverages: More than any other food category, non-alcoholic beverages are bought at supermarkets. Almost 90% of these purchases in households surveyed are procured at food stores. Part of the reason, buyers surmised, could be that most other retailers still don't carry these products.

Sales help to move non-alcoholic beverages. Most of the last five times consumers purchased non-alcoholic items they were able to purchase the item during a sale.

Garbage bags: Consumers think of discount stores when buying these. Roughly 20% of the bags are bought at discount stores, the study found. Warehouse clubs account for almost 8% of the average household's garbage bag purchasing.

Families earning between $20,000 and $30,000 had a higher tendency to buy garbage bags at discount stores. Drug stores represent only minimal purchasing incidences.

Laundry detergent: Score one for discounters in the laundry detergent category. Although 70% of total laundry sale purchases were at food stores, discounters accounted for almost 17%, the study revealed. Midwesteners in particular favored discount units.

People most often pick up laundry detergent when it is marked down, according to the survey. Almost 61% of the time it was purchased in discount stores, consumers indicated it was on sale; in drug stores it was more than 80%.

Pet foods: Warehouse clubs, in comparison to the percentage scored in other categories, shine in the pet foods/accessories category. Just above 6% of pet foods/accessory purchases are made at these mega-stores. Discount stores score a respectable 9.6% of household purchases; drug stores under 1%.

Pet foods aren't promoted too often, the survey suggested. For pet food and accessories, just over 80% of purchases made in discounters and 60% in drug stores by those surveyed recently cost the regular price.

Paper products: When people think of purchasing paper products, they often mention discount stores. In fact, those surveyed buy more than 20% of their paper needs at discount units. Warehouse clubs account for 7%.

Alcoholic beverages: There is potential for all food and non-food retailers to snare more sales of alcoholic beverages. The "other" classification, most likely liquor or packaged good stores, was singled out by consumers surveyed as where alcoholic items are bought.

Sales can help spur sales, however. The last five times purchased, 80% to 90% of the beverages were on sale, the study showed.

Packaged groceries: This was the one category where drug stores showed a slight increase. However, those surveyed reported only buying less than 1% of total household needs at a drug store.

Almost 90% of purchases of packaged groceries are made at grocery stores.